

# HEIDELBERG UNIVERSITY



## Federal Grants Financial Management Manual

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12/2/2025

**310 East Market Street, University Hall,**

**Tiffin, Ohio 44883**

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# I. INTRODUCTION

Heidelberg University intends to use this Financial Management Manual to support the administration of its federal grants. This Financial Management Manual establishes policies and procedures for the prudent administration of federal awards. Heidelberg University designates this Financial Management Manual as the prime resource for Grant Accountants, Grant Specialists, and Program Managers in the administration and management of the financial management process for their respective federal awards. This Financial Management Manual lists and explains relevant federal laws and policies regarding financial management for federal grant administration and contains sample forms most commonly used throughout the financial management lifecycle. While this Financial Management Manual is a primary resource, it is not intended to replace or supersede any federal guidance on grant administration or replace the Standards for Financial and Program Management contained in 2 CFR Part 200, aka the Uniform Guidance, federal agency regulations, individual award terms, and conditions or other applicable laws regarding grant administration.

The Financial Management Manual organizes the information in the following manner:

- ✓ Section II: Background about the financial management function
- ✓ Section III: A glossary of terms related to financial management for federal awards
- ✓ Section IV: Rules concerning federal grant financial management
- ✓ Section V: Information on managing financial responsibilities throughout the lifecycle of the federal award

Additionally, in Section VI, the Appendices include examples of a variety of relevant forms and other sample documents commonly used for financial management for federal awards.

## ▪ EFFECTIVE DATE

Heidelberg University will implement the Standards for Financial and Program Management in 2 CFR Part 200 for fiscal years beginning on [July 1, 2025](#), which is on or after December 26, 2014, as required.

## ▪ REMINDER TO EMPLOYEES

*Employees must follow our documented financial management procedures that conform to applicable federal, state, local, and tribal law and the Standards for Financial and Program Management in the Uniform Guidance when administering federal awards.*

*Failure to follow policies regarding federal requirements can result in a wide range of sanctions for Heidelberg University, including disallowed costs, denied reimbursement requests, debarment of Heidelberg University from all federal funding, including federal student aid, and,*

*in some circumstances, criminal charges could result. Therefore, it is critically important to our Heidelberg University that the financial management policies are followed carefully. Violation of this policy may result in disciplinary action, including termination of employment.*

## II. ABOUT THE FINANCIAL MANAGEMENT OFFICE

### A. BUSINESS OFFICE

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#### ▪ DESCRIPTION OF FINANCIAL MANAGEMENT OFFICE

The Financial Management Office is a partner in the financial administration of federal awards, and as a result, the department reports to the Chief Financial Officer (CFO) of Heidelberg University. The Vice President of Finance and Administration/CFO manages the Financial Management Office and is supported by several accountants/bookkeepers in the business office and other key personnel on campus.

### B. RESPONSIBILITIES

#### ▪ OUR RESPONSIBILITIES

**Sample Responsibilities:** As a federal grant recipient, the Financial Management Office is the authority responsible for administering the financial management functions, processing expenditures, and overseeing administrative issues in support of federal grants and other awarding instruments. These responsibilities include:

- Assistance with funds reconciliation issues and closeout of grant programs.
- Coordination of all financial reporting requirements for federal awards.
- Serving as liaison for all grant financial management activities.
- Guidance and training on key financial processes.
- Guidance and oversight of documentation and record retention.
- Delivery of expenditure reports to grant program offices.
- Entry of obligations, invoices, and payments into the financial reporting system.
- Payment of financial obligations in a timely manner.

## C. KEY CONTACTS

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### ▪ KEY CONTACTS

Title	Phone
President	419.448.2202
VP of Finance and Administration/CFO	419.448.2517
Controller	419.448.2227
Business Manager	419.448.2183
Executive Assistant to President, Provost, & Board	419.448.2202
VP of Academic Affairs & Provost	419-448-2510
FOR NAMES AND EMAILS, PLEASE CONSULT THE ONLINE HEIDELBERG DIRECTORY	

## III. GLOSSARY OF TERMS

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Term	Definition
<b>Administrative Requirements</b>	Administrative requirements mean matters common to grants in general, such as financial management, types, and frequency of reports, procurement and property management, and retention of records.
<b>Award (also known as a Federal Award)</b>	Award means financial assistance that provides support to accomplish a public purpose. Awards include grants and other agreements in the form of money or property instead of money by the federal government to an eligible recipient. The term does not include technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; and contracts which are required to be entered into and administered under procurement laws and regulations.
<b>Budget Period</b>	Budget Period means the time interval from the start date of a funded portion of an award to the end date of that funded portion, during which recipients and subrecipients are authorized to incur financial obligations of the funds awarded, including any funds carried forward or other revisions pursuant to § 200.308.

<b>Term</b>	<b>Definition</b>
<b>CFR</b>	CFR means the Code of Federal Regulations where federal regulations are cataloged.
<b>Claim</b>	Claim means, depending on the context, either: a written demand or assertion by one of the parties to a federal award seeking as a matter of right, such as the payment of money, the adjustment or interpretation of the terms and conditions of the Federal award, other relief arising under or relating to a Federal award, or a request for payment not in dispute when submitted.
<b>Closeout</b>	Closeout means the process by which the federal agency or pass-through entity determines that all applicable administrative actions and all required work of the federal award have been completed and takes actions as described in § 200.344. Closeout includes many actions, including final reporting for the award, disposition of property, and record retention requirements.
<b>Contract</b>	Contract means, for the purpose of federal financial assistance, a legal instrument by which a recipient or subrecipient conducts procurement transactions under a federal award. For additional information on subrecipient and contractor determinations, see § 200.331. See also the definition of subaward.
<b>Contractor</b>	Contractor means an entity that received a contract as defined in the Definitions section of 2 CFR Part 200.1.
<b>Debarment</b>	Debarment means a punitive action taken by a federal agency against an award recipient or contractor. The debarment prohibits participation in procurement contracts and non-procurement transactions such as grants and cooperative agreements.
<b>Disallowed Costs</b>	Disallowed costs mean charges to a federal award that the federal agency or pass-through entity determines to be unallowable in accordance with applicable federal statutes, regulations, the provisions of this part, or the terms and conditions of the federal award.

Term	Definition
<b>Excluded Parties</b>	Excluded parties mean persons or parties who are excluded or disqualified from covered transactions such as federal awards or contracts supported by a federal award.
<b>Expenditures</b>	<p>Expenditures means charges made by a recipient or, subrecipient to a project or program for which a federal award is received. The charges may be reported on a cash or accrual basis as long as the methodology is disclosed and consistently applied.</p> <p>For reports prepared on a cash basis, expenditures are the sum of: Cash disbursements for direct charges for property and services, the amount of indirect expense charged, the value of third-party in-kind contributions applied; and the amount of cash advance payments and payments made to subrecipients.</p> <p>For reports prepared on an accrual basis, expenditures are the sum of: Cash disbursements for direct charges for property and services, the amount of indirect expense incurred, the value of third-party in-kind contributions applied, and the net increase or decrease in the amounts owed by the recipient or subrecipient for goods and other property received, services performed by employees, contractors, subrecipients, and other payees, and programs for which no current services or performance are required, such as annuities, insurance claims, or other benefit payments.</p>
<b>Fixed Amount Award</b>	Fixed amount awards mean a type of grant or cooperative agreement pursuant to which the Federal agency or pass-through entity provides a specific amount of funding without regard to actual costs incurred under the Federal award. This type of Federal award reduces some of the administrative burden and record-keeping requirements for both the recipient or subrecipient and the Federal agency or pass-through entity. Accountability is based primarily on performance and results. See §§ 200.102(c), 200.101(b), 200.201(b), and 200.333.

Term	Definition
<b>Grant</b>	Grant means an award of financial assistance where the principal purpose is to carry out a public purpose authorized by a law of the United States and not to procure property or services for the federal awarding agency or pass-through entity's direct benefit or use.
<b>Grant Life Cycle</b>	Grant life cycle means the entire process of grant administration: applying for a grant, receiving a grant, managing a grant, and closing out a grant.
<b>Improper Payment</b>	Improper payment means a payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. The term improper payment includes: any payment to an ineligible recipient; any payment for an ineligible good or service; any duplicate payment; any payment for a good or service not received, except for those payments where authorized by law; any payment that is not authorized by law; and any payment that does not account for credit for applicable discounts. See OMB Circular A-123 Appendix C, Requirements for Payment Integrity Improvement for additional definitions and guidance on the requirements for payment integrity.
<b>Internal Controls</b>	Internal controls for recipients and subrecipients mean processes designed and implemented by recipients and subrecipients to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations, reliability of reporting for internal and external use; and compliance with applicable laws and regulations.

Term	Definition
<b>Micro-purchase</b>	Micro-purchase means an individual procurement transaction for supplies or services, the aggregate amount of which does not exceed the micro-purchase threshold. Micro-purchases comprise a subset of a recipient's or subrecipient's small purchases using informal procurement methods as set forth in § 200.320. Generally, except as provided in § 200.320, the micro-purchase threshold for procurement activities administered under Federal awards is not to exceed the amount set by the FAR at 48 CFR part 2, subpart 2.1, unless a higher threshold is requested by the recipient or subrecipient and approved by the cognizant agency for indirect costs.
<b>Non-Federal Entity</b>	Non-federal entity means a State, local government, Indian Tribe, Institution of Higher Education (IHE), or nonprofit Heidelberg University that carries out a federal award as a recipient or subrecipient.
<b>Obligations</b>	Obligations, now called financial obligations, means orders placed for property and services, contracts and subawards made, and similar transactions that require payment by a recipient or subrecipient under a federal award that will result in expenditures by a recipient or subrecipient under a federal award.
<b>Pass-through Entity</b>	Pass-through entity (PTE) means a recipient or subrecipient that provides a subaward to a subrecipient (including lower tier subrecipients) to carry out part of a federal program.
<b>Period of Performance</b>	Period of performance means the time interval between the start and end date of a federal award, which may include one or more budget periods. Identification of the period of performance in the Federal award consistent with § 200.211(b)(5) does not commit the Federal agency to fund the award beyond the currently approved budget period.
<b>Programmatic Requirements</b>	Programmatic requirements mean matters relevant on a program-by-program or grant-by-grant basis, such as kinds of activities that can be supported by grants under a particular program.

Term	Definition
<b>Questioned Cost</b>	<p>Questioned cost means an amount, expended or received from a Federal award, that in the auditor's judgment is noncompliant or suspected noncompliant with Federal statutes, regulations, or the terms and conditions of the Federal award, or at the time of the audit, lacked adequate documentation to support compliance, or appeared unreasonable and did not reflect the actions a prudent person would take in the circumstances.</p> <p>The questioned cost amount is calculated as if the portion of a transaction that lacked adequate documentation were confirmed noncompliant.</p> <p>There is no questioned cost solely because of deficiencies in internal control, or noncompliance with the reporting type of compliance requirement (described in the compliance supplement) if this noncompliance does not affect the amount expended or received from the Federal award.</p> <p>Questioned costs are not improper payments until reviewed and confirmed to be improper payments as defined in OMB Circular A-123 Appendix C.</p>
<b>Recipient</b>	<p>Recipient means an entity that receives a federal award directly from a federal agency to carry out an activity under a federal program. The term recipient does not include subrecipients or individuals that are participants or beneficiaries of the award.</p>
<b>RFP</b>	<p>RFP means a request for proposal from a contractor.</p>
<b>Selected Items of Cost</b>	<p>Selected items of cost mean an itemized list of allowable costs contained 2 CFR Part 200 Subsections §200.420-200.476</p>

Term	Definition
<b>Simplified Acquisition Threshold</b>	Simplified acquisition threshold means the dollar amount below which a recipient or subrecipient may purchase property or services using small purchase methods (see § 200.320). Recipients and subrecipients adopt small purchase procedures to expedite the purchase of items at or below the simplified acquisition threshold. The simplified acquisition threshold set in the FAR at 48 CFR part 2, subpart 2.1 is used in this part as the simplified acquisition threshold for secondary procurement activities administered under Federal awards. The recipient or subrecipient is responsible for determining an appropriate simplified acquisition threshold, which is less than or equal to the dollar value established in the FAR, based on internal controls, an evaluation of risk, and its documented procurement procedures. Recipients and subrecipients should also determine if local government purchasing laws apply. This threshold must never exceed the dollar value established in the FAR.
<b>Subaward</b>	Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to contribute to the goals and objectives of the project by carrying out part of a federal award received by the pass-through entity. It does not include payments to a contractor, beneficiary, or participant. A subaward may be provided through any form of legal agreement consistent with criteria in with § 200.331, including an agreement the pass-through entity considers a contract.
<b>Subrecipient</b>	Subrecipients means an entity that receives a subaward from a pass-through entity to carry out part of a federal award. The term subrecipient does not include a beneficiary or participant. A subrecipient may also be a recipient of other Federal awards directly from a federal agency.

Term	Definition
<b>Suspension</b>	<p>Suspension means:</p> <p>(1) Temporary withdrawal of the authority to obligate grant funds pending corrective action by the recipient or subrecipient or a decision to terminate the grant.</p> <p>(2) An action was taken by a suspending official in accordance with agency regulations implementing E.O. 12549 to immediately exclude a person from participating in grant transactions for a period, pending completion of an investigation and such legal or debarment proceedings as may ensue.</p> <p>(3) An action by a federal awarding agency that temporarily withdraws federal sponsorship under an award, pending corrective action by the recipient, or pending a decision to terminate the award by the federal awarding agency.</p>
<b>Uniform Guidance</b>	<p>Uniform Guidance means the set of federal regulations contained in 2 CFR Part 200, also known as the “Super Circular.”</p>
<b>Unliquidated Obligations</b>	<p>Unliquidated obligations, now known as unliquidated financial obligations, means financial obligations incurred by the recipient or subrecipient but not paid (liquidated) for financial reports prepared on a cash basis. For reports prepared on an accrual basis, these are financial obligations incurred by the recipient or subrecipient but for which expenditures have not been recorded.</p>
<b>Unobligated Balance</b>	<p>Unobligated balance means the amount of funds under a federal award that the recipient or subrecipient has not obligated. The amount is computed by subtracting the cumulative amount of the recipient's or subrecipient's unliquidated financial obligations and expenditures under the Federal award from the cumulative amount of funds the Federal agency or pass-through entity authorized the recipient or subrecipient to obligate.</p>

## IV. FEDERAL GRANT FINANCIAL MANAGEMENT RULES

The federal government provides rules for how all grantees must spend, track, and report on federal funds. These rules are located in 2 CFR Chapter I, Part 200, titled the *Uniform*

*Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, also known as the “Uniform Guidance.” For financial and program management, all non-federal entities must follow the regulations in 2 CFR Part 200 subsections, including:

- **Standards for Financial and Program Management** in 2 CFR Part 200 Subsections §200.300 Statutory and national policy requirements through §200.309 Period of performance
- **Property** standards in §200.310 Insurance coverage through §200.316 Property trust relationship
- **Financial and Performance Reporting and Monitoring** standards in §200.328 Financial reporting through §200.330 Reporting on real property
- **Subrecipient Monitoring and Management** standards in §200.331 Subrecipient and contractor determinations through §200.333 Fixed amount subawards
- **Record Retention and Access** standards in §200.334 Retention requirements for records through §200.338 Restrictions on public access to records
- **Closeout, Post-Closeout Adjustments, and Continuing Responsibilities** standards in §200.344 Closeout through §200.345 Post-closeout adjustments and continuing responsibilities

In this Financial Management Manual, the set of federal rules particularly relevant to financial management is divided into seven major categories:

1. Financial and Program Management
2. Monitoring and Reporting, including Subrecipient Monitoring and Management
3. Allowable Costs
4. Payment Management
5. Property Management
6. Cost Allocation
7. Closeout, Post-Closeout, Continuing Responsibilities, and Record Retention

Additional guidance for federal award recipients on **Remedies for Noncompliance** and **Collection of Amounts Due** may be found in §200.339 Remedies for noncompliance through §200.343 Effects of suspension and termination, and §200.346 Collection of amounts due. These sections are not included in this Financial Management Manual.

Finally, individual federal agencies may have additional or different requirements for specific federal awards, so the terms and conditions of each federal award should be reviewed so any unique circumstances can be identified and communicated to the financial management and program teams and managed appropriately.

## **A. STANDARDS FOR FINANCIAL AND PERFORMANCE MANAGEMENT**

The **Standards for Financial and Program Management** can be found in 2 CFR Part 200, Subpart D Subsection §§200.302-200.309 in addition to §§200.328-200.330 accessible online at <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#subject-group-ECFR36520e4111dce32>

In addition to the Standards for Financial and Program Management, we also manage property purchased with federal funds in accordance with the Property Standards found in 2 CFR Part 200, Subpart D Subsection §§200.310-200.316 accessible online at <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#subject-group-ECFR8feb98c2e3e5ad2>

- **FINANCIAL MANAGEMENT**

**Heidelberg University** must maintain financial management systems, including records documenting compliance with federal statutes, regulations, and the terms and conditions of federal awards.

These records must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal awards.

The Standards for Financial and Program Management cover a variety of topics, including:

### **Tracking Responsibilities:**

Our organization is required to identify, in its accounts, all of the federal awards received and expended and the federal programs under which they were received. Federal program and federal award identification must include, as applicable, the assistance listing number and assistance listing program title (formerly known as the CFDA number and title), federal award identification number and year, name of the federal agency, and name of the pass-through entity, if any.

Records must also adequately identify the source and application of funds for federally-funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by adequate source documentation.

### **Control Responsibilities:**

Our organization is required to demonstrate effective control over and accountability for all funds, property, and other assets. We must adequately safeguard all assets and ensure they are used solely for authorized purposes.

Personnel are also required to maintain effective internal control over federal awards to provide reasonable assurance that funds are being managed in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

### **Disclosure Responsibilities**

Our organization is required to provide accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements set forth in §200.328 Financial reporting and 200.329 Monitoring and reporting program performance. There also may be other disclosure requirements from federal awarding agencies, auditors, and others.

### **Reporting Responsibilities**

Our organization has many reporting requirements for federal awards specified in various regulations and the award terms and conditions, including a requirement in 2 CFR Part 200 to provide a comparison of expenditures with budget amounts for each federal award.

### **Record Retention Responsibilities:**

Our organization is required to retain records as required by the federal awards and 2 CFR Part 200.334-200.338. In addition, there may be record retention requirements from other governmental entities, such as the Internal Revenue Service (IRS), and specific award terms and conditions.

▪ **PERFORMANCE MEASUREMENTS**

Federal awarding agencies are interested in measuring performance in ways that will help federal agencies and grant recipients improve program outcomes, share lessons learned, and spread the adoption of promising practices.

As a result, there are additional responsibilities for performance measurements to comply with.

**Data Standardization Responsibilities:**

Our organization must use standard, governmentwide OMB-approved data elements when providing financial and performance information.

**Reporting Responsibilities:**

As required, personnel may have to relate financial data to the performance accomplishments of the federal award. Additionally, when applicable, cost information must be provided to demonstrate cost-effective practices (e.g., through unit cost data).

The federal awarding agency establishes performance reporting frequency and content.

**B. CODE OF CONDUCT**

Heidelberg University takes ethical behavior seriously. Failure to follow policies regarding federal requirements can result in a wide range of sanctions for the organization, including disallowed costs, denied reimbursement requests, debarment of our organization from all federal funding, including federal student aid, and, in some circumstances, criminal charges could result.

To view a copy of Heidelberg University’s Code of Conduct, go to:

[Reference the location of your existing Code of Conduct Policy, such as the Employee Handbook, rather than creating a new policy as long as it meets the minimum requirements in Subsection §200.318.]

**In Heidelberg University’s Employee Policies Handbook (Approved June 2024), page 7 specifically states the following:**

<b>“CODE OF ETHICS Expectation of Ethical and Professional Behavior”</b>	<b>(continued on next page)</b>
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### **“Expectation of Ethical and Professional Behavior**

Institutions of higher education such as Heidelberg University are entrusted by society with great resources and commensurately great responsibilities for creation, dissemination and preservation of knowledge. Heidelberg University employees play a key role in assuring that high standards of ethical practices attend to the custody and use of these resources. The personal and professional conduct of Heidelberg employees reflects on the institution and the higher education enterprise at large. To guide University employees in setting and practicing high standards of ethical conduct, Heidelberg has developed the following code of ethics. Heidelberg embraces the values expressed in this code and advocates their observance by its employees.

Heidelberg employees’ conduct should be characterized by integrity and dignity and each employee should expect and encourage such conduct by others. Heidelberg employees are expected to:

- Accord respect to self and others
- Preserve honesty in actions and utterances
- Give fair and just treatment to all
- Accept intellectual and moral responsibility
- Aspire to achieve quality
- Refuse conflict or the appearance of conflict between personal and institutional interests
- Engender forthright expression of one’s own views and tolerance for the views of others

Heidelberg employees should act competently and should strive to advance competence both in self and in others. Heidelberg employees should understand and support the institution’s objectives and policies, should be capable of interpreting them within and beyond the institution, and should contribute constructively to their ongoing evaluation and reformulation.

Heidelberg employees should communicate to colleagues the content of this code of ethics and should strive to ensure that the standards of professional conduct contained herein are met.

In the discharge of duties in accordance with this code of ethics, Heidelberg employees enjoy the following rights:

- The right to work in a professional and supportive environment
- The right to have a clear written statement of the conditions of employment, procedures for professional review and a job description outlining duties and responsibilities
- Within the scope of each individual’s authority and policy, the right to exercise judgment and perform duties without disruption or harassment
- Freedom of conscience and the right to refuse to engage in actions that violate the ethical principles contained in this code or provisions of law.

### **Core Values and Personal Attributes of a Heidelberg Employee**

- Core values – models leadership values of integrity, honesty, humility, transparency, respectfulness, diversity, caring, commitment, and accountability in all work.
- Intellectual dynamism – demonstrates mental sharpness, capability and agility.
- Self-knowledge – gains insight from successes and mistakes.
- Personal learning – seeks feedback and counsel to improve managerial behavior.
- Peer relationships – encourages collaboration and cooperation across the organization.
- Teamwork – performs most effectively as a hard-working member of a team.
- Constituency focus – completes work to meet constituencies’ expectations and requirements.
- Community focus – brings a spirit of enthusiasm and energy to the campus and town”

## C. OTHER RULES

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Other rules governing grant administration are found in various sections of the Code of Federal Regulations (CFR).

### ▪ COST PRINCIPLES

Written procedures are required for determining the allowability of costs in accordance with Subpart E—Cost Principles and the terms and conditions of the federal award.

Cost principles are used for guidance on how our organization can spend federal grant funding. Federal cost principles can be found in 2 CFR Part 200 Subpart E, accessible online at <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#subpart-E>

These regulations discuss allowable costs, direct and indirect costs, reasonable costs, and unallowable costs associated with grant administration. The cost principles reference specific items, such as compensation for personal services, equipment, and advertising, in the Selected Items of Cost in Subsections §§200.420-200. 476. In compliance with Subpart E—Cost Principles, all expenditures with federal funding must follow the cost principles, be allowable to charge the federal award and be:

- Necessary and reasonable for the performance of the federal award.
- Allocable under the Cost Principles.
- Conforming with any limitations or exclusions outlined in the cost principles or the terms and conditions of the federal award.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity.
- Consistently treated as either direct costs or indirect costs.
- Determined in accordance with generally accepted accounting principles (GAAP) for non-governmental entities.
- Not included in cost sharing.
- Adequately documented.
- Incurred during the approved budget period.

Ensuring only allowable costs are charged to the federal award requires coordination and communication between a variety of functional areas, including the program, accounting, and procurement departments.

Questions about best practices or about the allowability of specific costs should be addressed to VP of Finance and Administration/CFO and/or VP of Academic Affairs and Provost.

- **DEBARMENT AND SUSPENSION**

2 CFR 180, *OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, governs debarment and suspension compliance. Debarment and suspension can occur if federal grantees use federal funds wastefully or fraudulently. These regulations restrict funds flowing via awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

See more on 2 CFR Part 180 at

<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-I/part-180?toc=1>

Heidelberg University is committed to preventing federal funds from flowing to excluded parties who are suspended or debarred from participation in either contracts or awards.

- **CONTRACT PROVISIONS**

**Heidelberg University** contracts must contain the applicable provisions described in Appendix II to Part 200—Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.

See <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#Appendix-II-to-Part-200>

Individual federal agencies may also have additional requirements for contract provisions contained in the terms and conditions of the federal awards.

Agency-specific award terms and conditions are reviewed by [VP of Finance and Administration/CFO and/or VP of Academic Affairs and Provost](#) who then communicate to the financial management department in a timely manner.

- **OTHER RULES**

Here are some additional rules and regulations that affect the financial management functions of Heidelberg University.

### **Individual Agency Guidance**

In addition to the requirements in the Uniform Guidance, individual federal agencies also supply guidance for grant administration. Agency-specific rules are found under the federal agency's CFR title. For example, the administration of Head Start grants under the Department of Health and Human Services is found under 45 CFR Part 1301.

To find CFR titles for agency-specific grant administration rules, look for the grant administration manual or agency CFR title referenced in the award terms and conditions or

search the CFR online at the US Government Printing Office (GPO) website at <https://www.govinfo.gov/app/collection/cfr/>.

In the past, OMB provided a chart of individual federal agencies. This chart is currently included in Part 8 - **APPENDIX II FEDERAL AGENCY CODIFICATION OF GOVERNMENT-WIDE REQUIREMENTS AND GUIDANCE FOR GRANTS AND COOPERATIVE AGREEMENTS** in the annual Compliance Supplement for the Single Audit. The current year Compliance Supplement is available at <https://www.whitehouse.gov/omb/office-federal-financial-management/current-compliance-supplement/>. Prior year's Compliance Supplements are available at <https://www.whitehouse.gov/omb/office-federal-financial-management/past-compliance-supplement/>.

### **Statutory and National Policy Requirements**

The federal awarding agency is responsible for communicating all relevant public policy requirements to our organization, including those in general appropriations provisions, and incorporating them either directly or by reference in the terms and conditions of the federal award.

### **Federal Funding Accountability and Transparency Act (FFATA)**

Heidelberg University is responsible for complying with all requirements of the federal award, including the provisions of FFATA with specific provisions on:

- Executive compensation
- 2 CFR Part 25 Financial Assistance Use of Universal Identifier
- System for Award Management
- 2 CFR Part 170 Reporting Subaward and Executive Compensation Information.
- Statutory requirements for whistleblower protections at 10 U.S.C. 2409, 41 U.S.C. 4712, and 10 U.S.C. 2324, 41 U.S.C. 4304 and 4310

See more at <https://www.fsr.gov/#a-faqs>

### **Heidelberg University Rules**

In addition to the other rules referenced above, **Heidelberg University** has additional rules for the financial management of federal awards:

Heidelberg University has multiple handbooks for general operating purposes including:  
*\*Heidelberg University Policies Handbook For All University Employees (Approved February 2021, Revision History October 2018) This book was renamed "Heidelberg University Employee Policies Handbook" with revision approved by Board June 2024).*

*\*Heidelberg University Faculty Manual (Board Approved June 2021)*

*\*Heidelberg University Benefits Handbook for All University Employees (June 2024 Revision)  
(original approval February 2021)*

*\*Heidelberg University Hiring Toolkit (2022)*

When a notice of award is issued, this must be reviewed and approved by the VP of Finance and Administration/CFO and/or the President of the University. These are the only two signatories that can accept a grant award and authorize it via their signature.

All monetary awards are immediately given to the Business Manager at the Business Office for initiating the processing of the check.

## V. FINANCIAL MANAGEMENT LIFECYCLE

### A. GETTING STARTED

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#### ▪ APPLYING FOR GRANTS

The **VP of Finance and Administration/CFO** will serve as the lead at our organization for completing and submitting grant application packets. The **VP of Finance and Administration/CFO** will locate key people providing information for or writing parts of the grant application packet. Establishing an initial team meeting to discuss roles and responsibilities will ensure organized and timely preparation of the grant application.

The documents in the federal grant application packet will require the signature of an authorized representative who has the power to bind the organization to the terms and conditions of the grant award.

The authorizing Heidelberg University representatives are:

Title	Phone	Signatory Authority
President	419.448.2202	Primary Signatory
VP for Finance and Administration/CFO	419.448.2517	Primary Signatory

[Also See [Appendix A: Signatory Authorization Matrix](#) for an example of a format to list the key signatories of your Heidelberg University for a variety of responsibilities.]

Prior to submission, applications must be reviewed and approved by:

Title	Phone	Signatory Authority
VP for Finance and Administration/CFO	419.448.2517	Primary Signatory
(if unavailable, then responsibility falls to President)		
President	419.448.2202	Primary Signatory

#### ▪ SUBMIT AND TRACK APPLICATION

Once the grant application packet is completed and approved, the **Authorized Organization Representative (AOR)** will then submit it online.

#### ▪ SIGN THE AGREEMENT

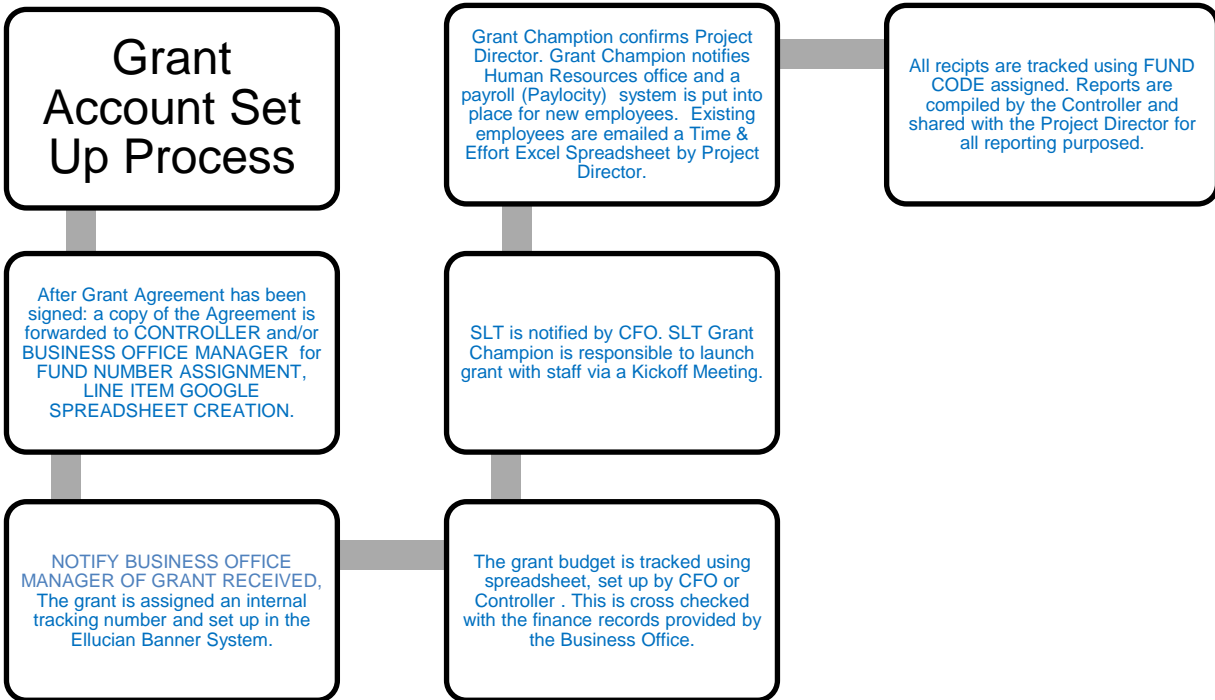
Upon the award of grant funds, a key official in the **organization** will need to sign the award document and return it to the federal awarding agency in order to receive the grant funds. The federal awarding agency will not release any grant funds without receiving the grant award document back with an authorized signature.

The authorized signer for **Heidelberg University** is:

Title	Phone	Signatory Authority
President	419.448.2202	Primary Signatory
VP for Finance and Administration/CFO	419.448.2517	Primary Signatory

▪ **GRANT ACCOUNT SET-UP**

**Heidelberg University** uses the **Ellucian Banner Accounting System** to manage federal grant funding. Upon receipt of an award of federal grant funds, follow these instructions to set up a new account in the **Ellucian Banner Accounting System**>:



- **MODIFY GRANT AGREEMENTS**

When grant agreements need to be modified, a key official in the organization must sign the modification document and return it to the federal awarding agency.

The authorized signer for **Heidelberg University** when modifications are needed is:

University President and VP of Finance and Administration/CFO have the authority to move ahead with grant changes. Paperwork associated can be completed by either the VP of Finance and Administration/CFO or a Project Director appointed by them. Project Director does not have authority to make changes on their own without the approval of the CFO or the President.

- **PERIOD OF PERFORMANCE**

Our organization may only charge allowable costs to the federal award during the period of performance, which may include one or more funded portions or budget periods. Identification of the period of performance in the federal award does not commit the awarding agency to fund the award beyond the currently approved budget period.

Project costs may be incurred up to 90 calendar days before the federal awarding agency makes the federal award. Expenses more than 90 calendar days pre-award require prior approval of the federal awarding agency. All costs incurred before the federal awarding agency makes the federal award are at the recipient's risk (i.e., the federal awarding agency is not required to reimburse such costs if, for any reason, the recipient does not receive a federal award or if the federal award is less than anticipated and inadequate to cover such costs).

Pre-award costs must be necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the federal award and only with the written approval of the federal awarding agency. If charged to the award, these costs must be charged to the initial budget period of the award unless otherwise specified by the federal awarding agency or pass-through entity.

In response to this risk, all pre-spending on federal awards must be authorized not only by the federal awarding agency or pass-through entity but also by Heidelberg University's authorized representative.

[Heidelberg University pre-award spending can only be approved by the VP of Finance and Administration/CFO.](#)

## **B. SPEND GRANT FUNDS**

- **ADEQUATE DOCUMENTATION**

Heidelberg University shall maintain adequate documentation to demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award. The records must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions. The documentation must be sufficient to trace the funds to a level of expenditures adequate to establish that such funds were used according to federal statutes, regulations, and the terms and conditions of the federal award.

Examples of adequate documentation include records that show:

- How the funds were spent.
- When the spending occurred.
- Who made the purchase.
- Who authorized the spending.
- When the authorization took place.

For procurement transactions, the amount of documentation required is typically influenced by the procurement method requirements. For example, micro-purchases would have less documentation than a competitive procurement.

Staff questions regarding best practices on the adequacy of documentation can be answered by either the CFO or the Provost.

- **AVOID UNNECESSARY PURCHASES**

Heidelberg University must avoid purchases of unnecessary or duplicative items.

- **BONDING**

If the federal awarding agency includes provisions on bonding, insurance, or both, the university will obtain bonds from companies holding certificates of authority as acceptable sureties, as prescribed in 31 CFR Part 223, "Surety Companies Doing Business with the United States."

See <https://www.ecfr.gov/current/title-31/subtitle-B/chapter-II/subchapter-A/part-223>

- **BUDGETS**

When the federal awarding agency approves the budget for a federal award, it is recognized that this budget summarizes the financial aspects of the project or the program during the period of performance. The approved budget must also relate to the performance measurements of the program for evaluation purposes when appropriate.

In addition, the budget may include both the federal and non-federal shares or only the federal share, depending on the requirements of the federal awarding agency.

Our organization will report deviations from the budget or project scope or objectives as required by the federal awarding agency.

If changes to award budgets are needed, staff will follow the requirements in the award terms and conditions to request modifications.

### **Transfer of Budget Funds**

The terms and conditions of the federal awards or the guidelines of the federal awarding agency may restrict the transfer of budget funds between direct-cost budget categories, programs, functions, or activities when the federal share of the project exceeds the Simplified Acquisition Threshold (currently \$250,000) and the cumulative total of the transfers exceeds or is expected to exceed ten percent of the last approved budget.

Budget funds cannot be transferred for a purpose that is not consistent with the award terms and conditions and federal appropriation legislation.

Prior approval will be requested from the federal awarding agency for budget and program plan revisions as required and under the following circumstances:

### **Non-construction Federal Awards**

Prior approval will be requested from the federal awarding agency for:

- A change in the scope of the objectives of the project or program (even if there is not a corresponding budget revision requiring prior written approval).
- A change in a key person specified in the application or the federal award
- The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
- The inclusion of costs that require prior approval in accordance with Subpart E—Cost Principles of this part or 45 CFR part 75 Appendix IX, “Principles for Determining Costs Applicable to Research and Development under Awards and Contracts with Hospitals,” or 48 CFR part 31, “Contract Cost Principles and Procedures,” as applicable unless specifically waived by the federal awarding agency.
- The transfer of funds budgeted for participant support costs as defined in §200.1 Participant support costs to other categories of expense .

- The subawarding, transferring, or contracting of any work under a federal award, including fixed amount subawards as described in §200.333 Fixed amount subawards unless described in the application and funded in the approved federal award. (Note that this provision does not apply to the acquisition of supplies, material, equipment, or general support services, a.k.a. procurement transactions.)
- Changes in the approved cost-sharing or matching provided by our organization.
- Additional federal funds needed to complete the project.

### **Construction Federal Awards**

Prior approval will be requested from the federal awarding agency for:

1. Budget revisions resulting from changes in the scope or the objective of the project or program.
2. Additional federal funds are needed to complete the project.
3. Desired revisions that involve specific costs for which prior written approval requirements may be imposed consistent with applicable OMB cost principles listed in 2 CFR Part 200 Subpart E—Cost Principles.

### **Combined Construction and Non-construction Federal Awards**

Federal awards that combine support for construction and non-construction work, may need prior approval from the federal awarding agency before making fund or budget transfers between the two types of work, depending on the award terms and conditions.

### **Submitting Budget Revisions**

Unless the federal awarding agency indicates a letter of request is sufficient, staff will use the same format for budget revisions as the application budget format.

[Note that the authorization below is an example of the best practices for providing additional oversight when budget revisions are requested for a federal award.]

In order to coordinate communication among all stakeholders, budget revisions must be approved by our authorized Heidelberg University representative.

[Enter the Heidelberg University’s approver for budget revisions--typically a senior leader, such as an executive director, president, or senior government official.]

The authorized Heidelberg Representative for budget revisions is the VP of Finance and Administration/CFO, or if unavailable, then the President.

The federal awarding agency is to notify Heidelberg University within 30 calendar days from the date of receipt of the request for budget revisions.

If the revision is still under consideration at the end of 30 calendar days, the federal awarding agency is required to inform staff in writing of the expected decision date.

### **One-time Extension**

On occasion, the university might need to request a one-time extension of the period of performance for a federal award for up to twelve months.

When it is determined it is in the best interests of the project or program to request a one-time extension, and this type of extension is allowed by the terms and conditions of the award, the university will notify the federal awarding agency in writing and provide the following information:

- Supporting reasons for the extension.
- Revised period of performance.

Requests for an extension of the period of performance must be submitted to the funder at least ten calendar days before the end of the period of performance in the federal award.

In order to coordinate communication among all stakeholders, a request for a one-time extension must be authorized not only by the federal awarding agency or pass-through entity but also by one of the authorized Heidelberg University representatives.

Prior approval from the federal awarding agency will be sought when any of the following conditions exist:

1. The terms and conditions of the federal award prohibit the extension.
2. The extension requires additional federal funds.
3. The extension involves any changes in the approved objectives or scope of the project.
4. The university wishes to carry forward unobligated balances to subsequent periods of performance.

Federal awards that support research (unless instructed otherwise by the federal awarding agency), do not need prior approval to request a one-time extension unless any of the four conditions listed above apply.

However, all requests for one-time extensions must be authorized by an authorized Heidelberg University representative prior to requesting the extension.

## ▪ COST SHARING

In response to the Notice of Funding Opportunity (NOFO) for federal awards, **Heidelberg University** may share costs or use matching funds for any shared costs or matching funds requirements.

### **Cost-share Criteria**

The following criteria are used to determine if contributions meet federal requirements for cost-sharing contributions:

1. Can be verified from our organization's records.
2. Are also not included as contributions for any other federal award.
3. Are necessary and reasonable for the accomplishment of project or program objectives.
4. Are allowable for inclusion under 2 CFR Part 200 Subpart E—Cost Principles.
5. Do not originate from the federal government under another federal award, except where the federal statute authorizing a program specifically provides that federal funds made available for such program can be applied to matching or cost-sharing requirements of other federal programs.
6. Are included in the award approved budget when required by the federal awarding agency.

### **Unrecovered Indirect Costs**

Unrecovered indirect costs (which are defined as the difference between the amount charged to the federal award and the Heidelberg University's approved negotiated indirect cost rate), may be used as a component of cost share with prior written approval of the federal awarding agency.

### **Cost-share Valuation**

Contributions of services and property are to be valued consistent with 2 CFR Part 200 Subpart E—Cost Principles.

If authorized by the federal awarding agency to donate buildings or land, the value the donated property is the *lesser* of the value of the remaining life of the property recorded in the university's accounting records at the time of the donation or the current fair market value.

If there is adequate justification, the university may ask the federal awarding agency to approve the use of the *current* fair market value of the donated property, even if it *exceeds* the value of the remaining life of the property recorded in our accounting records.

Donations of property will follow the usual accounting policies of Heidelberg University to determine the value, with the following qualifications:

1. For donated land and buildings, the value can't exceed its fair market value at the time of donation to Heidelberg University as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of Heidelberg University as required by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601-4655) (Uniform Act), except as provided in the implementing regulations at 49 CFR part 24.
2. For donated equipment, the value can't exceed the fair market value of equipment of the same age and condition at the time of donation.
3. For donated space, the value can't exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
4. For loaned equipment, the value can't exceed its fair rental value.

#### **Institutions of Higher Education (IHE) [\[if applicable\]](#)**

- We also follow OMB memorandum M-01-06, dated January 5, 2001, Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs.

#### **Third-Party Donations**

When volunteer services provided by third-party professionals, technical personnel, consultants, and other skilled and unskilled labor are included as cost sharing or matching, the service must be an integral and necessary part of an approved project or program.

The value of the third-party volunteer services will be consistent with those paid for similar work at Heidelberg University or paid for similar work in the labor market in which we compete for the kind of services involved if those services are not performed by Heidelberg University.

Paid fringe benefits may be included in the cost-share valuation that are reasonable, necessary, allocable, and otherwise allowable.

When a third-party organization furnishes the services of an employee to provide the same skill(s) for which the employee is normally paid, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that are reasonable, necessary, allocable, and otherwise allowable, plus indirect costs at either the third-party organization's approved federally negotiated indirect cost rate or, a rate in accordance with §200.414 Indirect (F&A) costs, paragraph (d).

Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donated services so that reimbursement for the donated services will not be duplicated.

When third parties donate property items such as equipment, office supplies, laboratory supplies, or workshop and classroom supplies, the value of the donated property to be included in the cost sharing or matching must not exceed the fair market value of the property at the time of the donation.

When third parties donate equipment, buildings, and land where the title passes to Heidelberg University, the following conditions apply:

1. If the purpose of the federal award is to assist Heidelberg University in the acquisition of equipment, buildings, or land, the aggregate value of the donated property may be claimed as cost sharing or matching.
2. If the purpose of the federal award is to support activities that require the use of equipment, buildings, or land, normally, only depreciation charges for equipment and buildings may be made. However, the fair market value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the federal awarding agency has approved the charges.

When a third-party donates in-kind contributions, the fair market value of goods and services must be documented and, to the extent feasible, supported by the same methods used internally by Heidelberg University.

[\[Also See Appendix B: Sample In-Kind Contribution Form.\]](#)

- **COST TRANSFERS**

[\[This statement reflects best practices.\]](#)

Federal awarding agencies should be able to expect that costs are charged appropriately at the time they are incurred. Significant adjustments should not be required if adequate financial management practices and policies exist.

In addition, individual federal awarding agencies may further restrict cost transfers and limit the period of time for such transfers.

In order to provide reasonable assurance that cost transfers meet the cost allowability and allocability requirements of 2 CFR 200, Section E, it is necessary to document and justify transfers of charges from federal awards from other federal accounts and from other non-federal accounts or Heidelberg University accounts.

Here are some examples of allowable types of cost transfers:

- Correction of a clerical error.

- Correction of over-expenditure (provided the cost is allowable and allocable to the award the cost is transferred to, or the over-expenditure is transferred to non-restricted funds).
- Allocation/reallocation of expenses where multiple projects benefited,
- Transfer of pre-award costs to a federally sponsored project after approval for pre-spending is obtained.

Documenting the timeliness and completeness of the explanation for cost transfers is key to supporting the allowability and allocability of the cost transfer.

Cost transfers must be authorized by a Heidelberg University representative prior to processing the request. The cost transfers should take place within [90] days of when the need for the cost transfer is identified.

Cost transfers must be approved by the designated Heidelberg University representatives:

Heidelberg University President, or  
 Heidelberg University VP of Finance and Administration/CFO

[See Appendix C for a Sample Cost Transfer Form]

▪ **FIXED AMOUNT SUBAWARDS**

If we pass through federal funds to subrecipients, Heidelberg University may provide fixed amount subawards with prior written approval from the federal agency, based on fixed amounts up to \$500,000. Fixed amount subawards must meet the requirements of § 200.201.- Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.

▪ **TIME AND EFFORT REPORTING**

Like many grant recipients, the expenditures for personnel represent a major portion of spending on Heidelberg University’s federal awards. Therefore, the university follows the requirements in **§200.430 Compensation—personal services Subsection (g) Standards for Documentation of Personnel Expenses**. These requirements include providing reasonable assurance that the expenditures for salaries and wages are based on records that accurately reflect the work performed.

[See Appendix D for a Sample Personnel Activity Report]

## C. MONITORING AND REPORTING

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### ▪ MONITORING

Heidelberg University is responsible for the oversight of operations and activities supported by federal awards. Staff members monitor federally-sponsored activities to ensure compliance with both applicable federal requirements and the expectations to achieve key performance measurements.

Monitoring must include not only programs, functions, and activities but also monitoring subrecipients (if applicable) and contractors.

[See Appendix E for a Sample Subrecipient Risk Assessment Checklist and Appendix F for a Sample Subcontractor Evaluation Checklist.]

### ▪ INTERNAL CONTROLS

Internal controls provide the framework for oversight of the financial and program management functions. They also contribute to the objectives of efficient operations, compliance with laws and regulations, and reliable reporting.

Heidelberg University must establish and maintain effective internal controls over federal awards, providing reasonable assurance of managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

Internal control principles are used in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal controls are relevant to everyone in the workplace. They include our responsibility to understand and comply with organizational policies and procedures, as well as to hold ourselves and one another accountable.

[Below are examples of best practices.]

#### **Control Environment**

Our Management Team is committed to leading Heidelberg University with openness, honesty, integrity, and ethical behavior.

We are committed to strong internal controls and take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings.

Our commitment to an ethical environment includes a Code of Conduct for employees.

[The Heidelberg University's Employee Policies Handbook \(Approved June 2024\), page 7](#) specifically describes the "Code of Ethics – Expectations of Ethical and Professional Behavior". The handbook is available from the Human Resources office.

## **Risk Assessment**

We are committed to understanding and managing the risks we are exposed to. We put controls in place to counter threats and effectively pursue our objectives.

Some examples of this commitment include:

- Review of previous years' audit reports and management letters.
- Identifying areas posing the greatest threat or risk of inaccuracies or loss.
- Providing adequate insurance for organizational risk consistent with generally accepted business practices and requirements of award terms and conditions.
- Appointing multiple persons to work on grant documents, including proposal and reporting documents, to ensure a checks and balances system of operating.

## **Control Activities**

We use a variety of control activities that support strong internal controls, including:

- Use of a purchase requisition process with appropriate levels of authorization.
- Segregation of duties that separate the custody, record-keeping, and authorization functions.
- Reconciliation of accounts to ensure transactions are recorded in the correct account and for the right amount.
- Physical security measures for assets such as cash, checks, equipment, and inventories.
- Inventory lists for federal grants are established at the CFO office on the Institutional Grants Shared Drive. Federally purchased equipment items are listed on the inventory and tracked regularly.

## **Information and Communication**

We understand the role of strong communication in preventing, detecting, and deterring waste, fraud, and abuse of the funds entrusted to Heidelberg University.

We regularly communicate updates and reminders of policies and procedures to staff through emails, staff meetings, and other communication methods.

We also take reasonable measures to safeguard protected personally identifiable information (PII) and other information the federal awarding agency or pass-through entity designates as sensitive, or the university considers sensitive, consistent with applicable federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

## **Monitoring**

We use a variety of monitoring activities to comply with federal statutes, regulations, and the terms and conditions of the federal awards, including:

- After-the-fact review and approval of time and effort reports to provide reasonable assurance the costs are accurate, allowable, and properly allocated.
- Ensuring responsible contractors are used who comply with the terms and conditions of contracts.
- Assigning monitoring roles to people with appropriate capabilities, objectivity, and authority.
- Monitoring subrecipients for compliance with the terms and conditions of subaward agreements.
- Monitoring progress assessments on deliverables of grants.
- When federal grants exceed one million dollars, Heidelberg University prefers to write an external evaluator into the grant budget to ensure proper assessment of grant funds and grant deliverables.

### **▪ CONFLICTS OF INTEREST**

Heidelberg University must avoid conflicts of interest in the procurement of goods and services supported by federal awards. Conflicts of interest requirements are covered in further depth in 2 CFR Part 200, Subpart D Subsection §200.318 (c). General procurement standards.

[\[Replace with Heidelberg University's Standards of Conduct if desired or reference where to access the current policy.\]](#)

[Heidelberg University's Standards of Conduct below]

### **CONFLICT OF INTEREST**

*(excerpted from page 17, Heidelberg University's Employee Policy Handbook, June 2024)*

"A conflict of interest exists when any individual covered by this policy, or the immediate family member of an individual covered by this policy, has a relationship or engages in an activity which impairs or adversely influences the covered individual's judgment with respect to promoting the best interest of the University, or which impairs or adversely influences the performance or satisfaction of an employee's duties for and responsibilities to the University.

**Disclosure** - In any case where a conflict of interest exists, or may exist, or the appearance of a conflict of interest may exist, **it shall be the duty of the employee to promptly disclose all pertinent details regarding the actual or potential conflict.**

Persons who perceive the existence of an actual or potential conflict of interest shall not endeavor to resolve the conflict or determine that the external benefits will not adversely affect the University, but shall make a full disclosure of the facts, circumstances, relationships and transaction(s) as follows:

1. Vice Presidents shall report to the President.
2. All employees shall report to their immediate supervisors, who shall keep the appropriate Vice Presidents of the University currently informed.
3. Reports shall be made promptly and at the discretion of the person receiving the report, shall be made in writing and signed by the person making the disclosure.

**Restraint on Participation** - Persons covered by this policy are encouraged to avoid relationships and transactions that constitute an actual or potential conflict of interest. When such situations cannot be avoided, the person(s) shall disclose the conflict as required by this policy and, depending on the relevant circumstances, may be required to refrain from participating in consideration of the transaction affected by the conflict of interest. If a conflict waiver is indicated, it shall be in writing and signed by the President or Board making the determination and a copy of the Waiver shall be provided to the Chairman of the Board and the University Attorney."

### **What is a Conflict of Interest?**

A conflict of interest includes when the employee, officer, agent, or board member, any member of their immediate family, their partner, or an Heidelberg University that employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from an entity considered for a contract.

A conflict of interest arises when an employee, officer, agent, and board member of the recipient or subrecipient solicits or accept gratuities, favors, or anything of monetary value from contractors.

When a real or apparent conflict of interest occurs, no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by the federal award.

## Who is Covered?

These requirements govern the actions of all employees engaged in the selection, award, and administration of contracts supported by federal awards.

[This is the minimum requirement; you may choose to cover all employees.]

## Prohibition on Soliciting or Accepting Items of Monetary Value

The officers, employees, and agents of Heidelberg University may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.

Heidelberg University defines an *unsolicited* item of the nominal value of a gift to be an item of less than....

Heidelberg University has an *Employee Policies Handbook (June 2024 approved)*, that states on page 41, the following:

### **“GIFTS AND GRATUITIES**

University employees must not accept tips or gratuities offered for services rendered in the course of normal employment. Gifts of any real monetary value, in excess of \$50, from individuals or organizations with whom the University does business are prohibited. If an employee does receive a gift with a value in excess of \$50, the employee must report the receipt of the gift to an immediate supervisor.”

We also define a non-substantial interest to be less than:

[Insert percentage of ownership and, if desired, whether the interest must be a publicly-traded stock. For example, less than 10% ownership of stock listed on the NYSE or NASDAQ.]

Real monetary value in excess of \$50 or more must be reported to immediate supervisor. See Employee Handbook page 41 quoted above. This includes all things of value including percent ownership in memberships, stocks, bonds, and other investments.

If the item of monetary value meets our definition of an *unsolicited* item of the nominal value of a gift or a non-substantial financial interest, we do not consider this a conflict of interest.

All real or apparent conflicts of interest must be disclosed to:

Heidelberg University has an Employee Policies Handbook, that states on page 41, the following

“Immediate supervisor of the employee must be notified if gifts of any kind exceed \$50.”

## Disciplinary Action

It is critically important to a grant-funded organization that all employees follow the Code of Conduct. Failure to comply with these standards can result in disciplinary action, including termination of employment.

## Organizational Conflicts of Interest

Heidelberg University does NOT have a parent, affiliate, or subsidiary Heidelberg University that is not a state, local government, or Indian tribe. If we do, we must also be aware of and report organizational conflicts of interest because relationships with a parent company, affiliate, or subsidiary organization may make us unable or appear to be unable to be impartial in conducting a procurement action involving a related organization.

We must disclose in writing any conflict of interest to the federal awarding agency or pass-through entity in accordance with applicable federal awarding agency policy.

### Heidelberg University – Potential Institutional Conflicts of Interest to Consider

**Heidelberg University does not have a parent or subsidiary** Heidelberg University that is not a state, local government, or Indian tribe.

**Heidelberg University does have an affiliate group, entitled the “Berg Bravo.”**

“Berg Bravo, Friends of Heidelberg Music and Theatre. Berg Bravo does not have its own tax number; it does operate under Heidelberg University’s tax number. Here is a weblink to more information about this group: [alumni.heidelberg.edu/BergBravo](https://alumni.heidelberg.edu/BergBravo)”

Heidelberg University does have a business partnership arrangement, entitled **Heidelberg Licensing LLC**. This is a business partnership with Universitat Heidelberg (Address: AUGUSTINERGASSE 9, Heidelberg, Germany 69117). This LLC has its own tax id number, and lists “Trademark Licensing” as its business activity. The entire agreement is in place to allow naming rights in the United States, since this is a similar named organization in Germany.

#### ▪ SUSPENSION AND DEBARMENT

To ensure federal funds do not flow to excluded parties, we are required to check for suspended or debarred parties before opening bids or awarding work for all covered transactions. Common types of covered transactions include:

- All non-procurement contracts, such as subawards
- All procurement contracts requiring the consent of an official of a federal agency
- Other procurement contracts for goods or services expected to equal or exceed \$25,000
- A principal person in a covered transaction, such as a principal investigator

The methods we use to verify the parties in the covered transaction are not excluded or disqualified from receiving federal funds include:

[Choose your method for checking for suspension and debarment exclusions.]

1. **Checking SAM Exclusions (preferred method).** This is preferred to be done by all Project Directors prior to allowing any expense to be considered for federal funding; or
2. Collecting a certification from that person or organization; or
3. Adding a clause or condition to the covered transaction with that person or organization

Names of debarred or suspended parties can be found by searching the System for Award Management (SAM) for exclusion records, active or excluded, at <https://sam.gov/content/exclusions>

(Note: Records that were contained in the Excluded Parties List System have been moved to SAM.gov.)

Adequate source documentation of who was checked, when they were checked, and the results of the search must be maintained as well.

**STEPS FOR PROJECT DIRECTORS TO CHECK FOR SUSPENSION AND DEBARRMENT:**

\*Log onto <https://sam.gov/content/home>

\* Enter the name of the vendor/contractor in the search tab, and submit to get a response

\* Take a screenshot of the SAM.gov results for the vendor or contractor name searched under the Excluded Parties List System and save it as a .PDF file to the Institutional Grants Google Shared Drive under the appropriate grant name.

\*Note if the contractor/vendor is debarred or suspended, then they cannot receive federal funds.

\*Note: If no information is shown under this search, then the vendor/contractor can be utilized with grant funding.

## ▪ **REQUIREMENTS FOR PASS-THROUGH ENTITIES**

If we pass through federal funds to a subrecipient, we have specific requirements to support our subrecipients. The requirements cover everything from the identification information that must be shared with the subrecipient to assessing the risks associated with the subrecipient and subaward close out and access to records.

### **Identification of the Subaward**

Each subaward must be clearly identified to the subrecipient as a subaward.

We also must include the following information at the time of the subaward, and if any of these data elements change, include the changes in subsequent subaward modifications:

1. Subrecipient name (which must match the name associated with its unique entity identifier).
2. Subrecipient's unique entity identifier.
3. Federal Award Identification Number (FAIN).
4. Federal award date (defined in §200.1 Federal award date) of the award to the recipient by the federal agency.
5. Subaward period of performance start and end date.
6. Subaward budget period start and end date.
7. Amount of federal funds obligated by this action by the pass-through entity to the subrecipient.
8. The total amount of federal funds obligated to the subrecipient by the pass-through entity, including the current obligation.
9. The total amount of the federal award committed to the subrecipient by the pass-through entity.
10. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA).
11. Name of the federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity.
12. Assistance listings number and title (formerly the CFDA number and title): the pass-through entity must identify the dollar amount made available under each federal award and the Assistance Listings Number at the time of disbursement.

13. Identification of whether the award is R&D.

14. Indirect cost rate for the federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

If some of this information is not available, we will provide the best information available to describe the federal award and subaward.

### **Award Requirements for Subrecipients**

When we pass through federal funding to a subrecipient, typically, all requirements imposed on the pass-through also flow through to the subrecipient.

These requirements include the requirement to use the federal award in accordance with federal statutes, regulations, and the terms and conditions of the federal award.

The university may also impose additional requirements on the subrecipient to meet our responsibilities to the federal awarding agency, including identification of any required financial and performance reports.

### **Indirect Cost Rate for Subrecipients**

Unless prohibited or modified by the federal award or the federal awarding agency, the subrecipient may use an approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government.

If no approved rate exists, the pass-through entity must determine the appropriate rate in collaboration with the subrecipient, which is either the negotiated indirect cost rate between the pass-through entity and the subrecipient, which can be based on a prior negotiated rate between a different PTE and the same subrecipient. If basing the rate on a previously negotiated rate, the pass-through entity is not required to collect information justifying this rate but may elect to do so or the de minimis indirect cost rate.

The pass-through entity must not require the use of a de minimis indirect cost rate if the subrecipient has a federally approved rate.

### **Risk Assessment for Subrecipients**

Heidelberg University is required to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate level of subrecipient monitoring.

In conducting this evaluation, university staff may consider the following factors:

1. The subrecipient's prior experience with the same or similar subawards.

2. The results of previous audits, including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program.
3. Whether the subrecipient has new personnel or new or substantially changed systems.
4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

The university may consider imposing specific subaward conditions upon a subrecipient if appropriate, based on our risk assessment.

### **Subrecipient Monitoring**

As the pass-through entity for federal funds, Heidelberg University must monitor our subrecipients as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward, and to ensure performance goals are achieved.

Our monitoring activities for subrecipients will include a variety of activities, such as:

- Reviewing required financial and performance reports.
- Following up and ensuring that the subrecipient takes timely and appropriate action when deficiencies pertaining to the federal award are detected through audits, on-site reviews, and other means.
- Issuing a management decision on audit findings pertaining to the federal award to the subrecipient.

When Heidelberg University conducts an evaluation of each subrecipient's risk of noncompliance to ensure proper accountability and compliance with program requirements and achievement of performance goals, university staff may decide to use additional monitoring tools such as:

- Providing subrecipients with training and technical assistance on program-related matters.
- Performing on-site reviews of the subrecipient's program operations.
- Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

We must also verify that every subrecipient is audited as required by Subpart F—Audit Requirements when it is expected that the subrecipient's federal awards expended during the

respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements, currently \$1,000,000.

We will also consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

### **Close Out and Access to Records**

In addition to the requirements listed above, the subrecipient must also permit both Heidelberg University and auditors to have access to the subrecipient's records and financial statements as necessary for us to meet our responsibilities for monitoring and reporting. Our terms and conditions will also contain appropriate terms and conditions concerning the closeout of the subaward.

Heidelberg University will also consider taking enforcement action against noncompliant subrecipients as described in §200.339 Remedies for noncompliance and in program regulations.

- **SUBRECIPIENT AND CONTRACTOR DETERMINATIONS**

Heidelberg University may receive federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of the agreements with federal awarding agencies and pass-through entities.

When we pass through federal funds, we must use our best judgment and make a case-by-case determination on the appropriate form of agreement, whether for a subrecipient or a contractor. Our federal awarding agency may supply additional guidance to support these determinations.

The improper classification of subrecipients vs. contractors can have severe negative consequences on Heidelberg University as subrecipients typically must receive the prior approval of the federal awarding agency, whereas contractors typically do not require the prior approval of the federal awarding agency.

[For further guidance on determining whether there is a subrecipient or contractor relationship, see [Appendix G: Sample Contractor vs. Subrecipient Guide.](#)]

- **FINANCIAL REPORTING**

Generally, Heidelberg University is only required to provide the standard, OMB-approved governmentwide data elements for the collection of financial information.

Financial reporting to federal awarding agencies typically takes place no less frequently than annually or more frequently than quarterly, except in unusual circumstances.

The frequency of financial reporting should be specified in the award terms and conditions.

- **PERFORMANCE REPORTING**

Heidelberg University staff are required to submit a variety of reports on both non-construction and construction performance (as applicable).

The federal awarding agency may occasionally waive requirements for some performance reports that they decide are not needed.

Finally, the federal awarding agency may make site visits as determined by program needs.

### **Frequency**

Heidelberg University will submit performance reports at the interval required by the federal awarding agency or pass-through entity that best informs improvement in program outcomes and productivity.

Normally, these intervals would be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, such as when more frequent reporting is necessary for the effective monitoring of the federal award or when the lack of current reporting could significantly affect program outcomes.

### **Deadlines**

Heidelberg University will submit annual reports no later than 90 calendar days after the reporting period.

Quarterly or semi-annual reports will be submitted within 30 calendar days after the reporting period ends or as required by the federal awarding agency.

If the federal awarding agency requires annual reports before the anniversary dates of multiple-year federal awards, the final performance report submitted by the non-federal entity and/or pass-through entity must be due no later than 120 calendar days after the period of performance end date. A subrecipient must submit to the pass-through entity, no later than 90 calendar days after the period of performance end date, all final performance reports as required by the terms and conditions of the federal award.

If adequately justified, the university may request an extension of the due date for any performance report from our federal awarding agency.

## Reporting Format

Heidelberg University must submit financial and performance reports as required using OMB-approved common information collections, as applicable.

These reports typically contain information on each federal award, including:

- Comparison of actual accomplishments to the objectives of the federal award for the reporting period.
- Calculation of costs to units of accomplishment, where possible and useful.
- Analysis of performance trends that are informative to the federal awarding agency when required as a performance reporting requirement.
- Reasons why established goals were not met, if appropriate.
- Pertinent explanations and analysis of cost overruns or high unit costs when appropriate.

### Construction Reports [\[If applicable\]](#)

Construction performance reports rely heavily on on-site technical inspections and certified percentage of completion data to monitor progress. The federal awarding agency may require additional performance reports they consider necessary.

### Reporting Significant Developments

Sometimes, significant events occur between the scheduled performance reporting dates that have a significant impact on the supported activities.

Here are two types of examples:

1. Problems, delays, or adverse conditions that will materially impair the ability to meet the objectives of the federal award. This disclosure must include a statement of the action taken or contemplated and any assistance needed to resolve the situation.
2. Favorable developments that enable Heidelberg University to meet time schedules and objectives sooner or at less cost than anticipated or produce more or different beneficial results than originally planned.

The university must disclose significant developments to our federal awarding agency or pass-through entity as soon as they become known.

## D. ALLOWABLE COSTS

### ▪ GENERAL CRITERIA

In addition to the procurement standards in the Uniform Guidance, procurement with federal funds must also be allowable to charge the federal award based on the cost principles and subsection §200.403 Factors affecting allowability of costs. Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable under federal awards:

1. Be necessary and reasonable for the performance of the federal award and be allocable under these principles.
2. Conform to any limitations or exclusions outlined in these principles or the federal 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 non-federal entity.
4. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost. For example, 200.413 Direct Costs (c) states that administrative and clerical staff should normally be treated as indirect (F&A) costs; however, direct charging may be appropriate if all the following conditions are met: (1) Services are integral to a project; (2) Individuals can be specifically identified with the project or activity; (3) Such costs are explicitly included in the budget or have prior written approval and are (4) Not recovered in indirect costs.
5. Be determined in accordance with generally accepted accounting principles (GAAP), except for state and local governments and Indian tribes only, as otherwise provided for in this part.
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 (See also §200.306 Cost sharing or matching paragraph (b).)
7. Be adequately documented. See also Subsection §200.300 Statutory and national policy requirements through 200.309 Modifications to Period of Performance.
8. Incurred during the approved budget period.

To avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, Heidelberg University may seek the prior written approval of the cognizant agency for indirect costs or the federal awarding agency in advance of the incurrence of special or unusual costs.

- **NECESSARY AND REASONABLE**

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. The question of reasonableness is particularly important when the non-federal entity is predominantly federally funded.

In determining the reasonableness of a given cost, consideration must 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 proper and efficient performance of the federal award.
2. Restraints or requirements imposed by such factors as sound business practices; arms-length bargaining; federal, state, and other laws and regulations; and terms and conditions of the federal award.
3. Market prices for comparable goods or services for the geographic area.
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-federal entity, its employees, where applicable, its students or membership, the public at large, and the federal government.
5. Whether the non-federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost.

- **ALLOCABLE**

A cost is allocable to a particular federal award or another cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received.

This standard is met if the cost:

1. Is incurred specifically for the federal award
2. Benefits both the federal award and other work of the non-federal entity and can be distributed in proportions that may be approximated using reasonable methods
3. Is necessary to the overall operation of the non-federal entity and is assignable in part to the federal award in accordance with the cost principles

All activities that benefit from the non-federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-federal entity or third parties, will receive an appropriate allocation of indirect costs.

(c) Any cost allocable to a particular federal award under the cost principles may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by federal statutes, regulations, or terms and conditions of the federal awards, or for other reasons. However, this prohibition would not preclude the non-federal entity from shifting costs that are allowable under two or more federal awards in accordance with existing federal statutes, regulations, or the terms and conditions of the federal awards.

(d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a federal award, the costs are assignable to the federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.

(e) If the contract is subject to Cost Accounting Standards (CAS), costs must be allocated to the contract under the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

- **NOT LIMITED BY COST PRINCIPLES**

The cost principles include a variety of costs, some of which are limited or unallowable to charge the federal award. For additional details, review 2 CFR Part 200 Sections 200.420 through 200.476, titled General Provisions for Selected Items of Cost. In addition, §200.407 Prior written approval (prior approval) lists types of costs that may require the prior approval of the funding agency.

[\[See Appendix H for Selected Items of Costs that references many types of costs and Appendix I for examples of costs that require the prior written approval of the federal funding agency.\]](#)

- **NET OF APPLICABLE CREDITS**

(a) Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the federal award as direct or indirect (F&A) costs. Examples of such transactions are purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the non-federal entity relate to allowable costs, they must be credited to the federal award either as a cost reduction or cash refund, as appropriate.

(b) In some instances, the amounts received from the federal government to finance activities or service operations of the non-federal entity should be treated as applicable credits. Specifically, the concept of netting such credit items (including any amounts used to meet cost sharing or matching requirements) should be recognized in determining the rates or amounts to be charged to the federal award. (See §§200.436 Depreciation and 200.468 Specialized service facilities for areas of potential application in the matter of federal financing of activities.)

## E. PAYMENT MANAGEMENT

Below are the written procedures to implement the requirements of §200.305 Federal Payment.

- **SUMMARY OF PAYMENT METHODS**

There are two methods to receive funds from the federal awarding agency in support of our federally sponsored programs:

### **Advance Payment**

When Heidelberg University staff maintains and demonstrates the willingness to use both written procedures that minimize the time elapsing between the transfer of funds and disbursement by Heidelberg University and financial management systems that meet the financial management standards for fund control and accountability, advance payment is the preferred method of payment.

### **Reimbursement**

There are several conditions under which Heidelberg University would use the reimbursement method instead of the advance payment method.

Examples include:

1. When university staff can't maintain and demonstrate the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by Heidelberg University and financial management systems that meet the financial management standards for fund control and accountability, reimbursement is the preferred method of payment.
2. When the federal awarding agency sets a specific condition for the reimbursement method.
3. When we request payment by reimbursement.

4. When there is a federal award for construction, or if the major portion of the construction project is accomplished through private market financing or federal loans, and the federal award constitutes a minor portion of the project.

- **PAYMENT RULES FOR STATES**

[If applicable]

Payment rules for states from federal awards are governed by Treasury-State CMIA agreements and default procedures codified at 31 CFR Part 205 “Rules and Procedures for Efficient Federal-State Funds Transfers” and TFM 4A-2000 Overall Disbursing Rules for All Federal Agencies.

- **MINIMIZE TIMEFRAME AS REQUIRED**

When funds are advanced to Heidelberg University from federal sources, our payment methods must be designed to minimize the time between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by Heidelberg University in any form, such as electronic transfer and checks.

In addition, our advance payment requests must be limited to the minimum amounts needed and be timed in accordance with the actual, immediate cash requirements of Heidelberg University to carry out the purpose of the approved program or project.

The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by Heidelberg University for direct program or project costs and the proportionate share of any allowable indirect costs.

Timely payments to contractors shall also be made in accordance with the contract provisions in support of our federal awards.

When possible, we will consolidate advance payments to cover our anticipated cash needs for all of our federal awards.

- **REQUESTS FOR PAYMENTS**

When requesting payment for work on federal awards, Heidelberg University shall be authorized to submit requests for advance payments (as applicable) and reimbursements at least monthly when electronic fund transfers are not used and as often as needed when electronic transfers are used.

[See Appendix J for Example of Form SF-270 Request for Advance or Reimbursement.]

- **USE OF RESOURCES**

Before requesting additional cash advance payments, Heidelberg University will first disburse funds from program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on advance funds, if applicable.

- **DEPOSITORIES FOR ADVANCE FUNDS**

Federal awarding agencies and pass-through entities are not allowed to require separate depository accounts for funds provided to Heidelberg University. However, university staff must still be able to track the receipt, obligation, and expenditure of funds for each individual federal award.

### **Insured Account**

When possible, Heidelberg University will deposit and maintain the advance federal funds in an insured account.

We recognize that the insurance coverage on the accounts may be insufficient to fully cover all risk of loss due to insurers such as the Federal Deposit Insurance Corporation (FDIC) limiting the losses per account category. [\[Currently limited to \\$250,000 per Heidelberg University.\]](#)

### **Interest-bearing Account**

University staff will maintain advance payments in an interest-bearing account unless one or more of the following conditions apply:

- The university receives less than \$250,000 in federal awards per year.
- The university does not expect to earn more than \$500 in interest on federal cash advances in the best reasonably available interest-bearing account.
- It is not feasible to maintain an average or minimum balance within the expected cash resources at the depository.
- A foreign government or banking system prohibits interest-bearing accounts.

If it is not clear if we have an interest-bearing account because the financial institution nets fees against interest, we may need to review the account analysis to determine if we are in compliance with this requirement.

- **INTEREST EARNED ON ADVANCE FUNDS**

If Heidelberg University earns up to \$500 per year on federal advance funds, we will retain the amounts as administrative fees.

If more than \$500 is earned on advance funds, we will remit the additional interest annually to the Department of Health and Human Services Payment Management System (PMS). The remittance must be submitted as described in §200.305 Federal Payment.

- **PROGRAM INCOME**

Consistent with the federal encouragement in §200.307 Program income, Heidelberg University will seek to earn income to reduce program costs when appropriate.

The following examples are *not* considered program income unless the revenues are specifically identified in the federal award or awarding agency regulations as program income:

- Governmental revenues, such as taxes, special assessments, levies, and fines.
- Proceeds from the sale of real property, equipment, and supplies.

If the university incurs costs for generating program income that were not charged to the federal award, and if authorized by federal regulations or the federal award, we will deduct incidental costs from gross program income to determine net program income.

Based on the terms and conditions of our federal awards and federal awarding agency regulations, we will use one of the following three methods below to account for program income proceeds as appropriate:

1. **Deduction Method:** Program income must be deducted from total allowable costs to determine the net allowable costs.
2. **Addition Method:** Program income may be added to the federal award by the federal agency and the Non-federal entity. The program income must be used for the purposes and under the conditions of the federal award.
3. **Cost share or match:** With prior approval of the federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the federal award. The amount of the federal award remains the same.

After the period of performance, Heidelberg University staff will follow the requirements for program income included in our federal award terms and conditions and federal awarding agency regulations to determine any continuing requirements for reporting income.

## **F. PROPERTY MANAGEMENT**

When purchasing property with federal funds, Heidelberg University will follow the property management requirements in §200.310 Insurance coverage through §200.316 Property trust relationship.

There are four types of property that may be purchased with federal funds:

1. Real property
2. Equipment
3. Supplies and other expendables
4. Intangible property

Each type of property has specific requirements surrounding the property title (who owns it), use (how it can be used), and disposal (what to do when we no longer want or need it.) that are discussed in greater detail in this section.

Finally, the federal awarding agency or the federal award terms and conditions may impose additional requirements on how we track, use, and dispose of property purchased with federal funds.

- **FEDERALLY-OWNED AND EXEMPT PROPERTY**

When property is purchased for federal awards, the title to the property may remain with the federal government. This is known as *federally-owned* property.

If the federal agency provides the title to the property to Heidelberg University without further obligation to the federal government, based upon the explicit terms and conditions of the federal award, this is known as *exempt* property.

When title to property purchased with the federal award stays with the federal government, there are additional requirements for monitoring and oversight of the property, including:

- Submitting an annual inventory report of the federally owned property to the federal awarding agency
- Notifying the federal awarding agency when the federally owned property is no longer needed so that the agency can determine other utilization of the property

The additional requirements may last beyond the period of performance for the individual federal award that purchased the property.

[\[See Appendix K for Sample Property Tracking Form.\]](#)

- **REAL PROPERTY**

Real property includes land, including land improvements, structures, and things permanently attached to the structures. It does not include moveable machinery and equipment.

## **Title**

Title to real property acquired or improved under a federal award will generally vest upon acquisition with Heidelberg University.

## **Use**

Unless otherwise provided by federal statutes or by the federal awarding agency, real property will be used for the originally authorized purpose as long as needed for that purpose, during which time the university must not dispose of or encumber its title or other interests.

## **Disposal**

When real property is no longer needed for the originally authorized purpose, the university must get disposition instructions from the federal awarding agency or pass-through entity.

The instructions must provide for one of the following alternatives:

1. The university will retain the title after compensating the federal awarding agency.
  - The amount paid to the federal awarding agency will be computed by applying the federal awarding agency's percentage of participation in the cost of the original purchase (and costs of any improvements) to the fair market value of the property. However, in those situations where the university is disposing of real property acquired or improved with a federal award and acquiring replacement real property under the same federal award, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.
2. The university will sell the property and compensate the federal awarding agency.
  - The amount due to the federal awarding agency will be calculated by applying the federal awarding agency's percentage of participation in the cost of the original purchase (and the cost of any improvements) to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the federal award has not been closed out, the net proceeds from the sale may be offset against the original cost of the property. When the university is directed to sell the property, sales procedures that provide for competition to the extent practicable and result in the highest possible return must be followed.
3. The university will transfer the title to the federal awarding agency or to a third party designated/approved by the federal awarding agency.
  - If the university contributed to the purchase of the property, the university is entitled to be paid an amount calculated by applying our percentage of

participation in the purchase of the real property (and the cost of any improvements) to the current fair market value of the property.

## Reporting

Heidelberg University is required to submit reports at least annually on the status of real property in which the federal government retains an interest unless the federal interest in the real property extends 15 years or longer.

In those instances where the federal interest attached is for a period of 15 years or more, the federal awarding agency or pass-through entity, at its option, may require university staff to report at various multi-year frequencies (e.g., every two years or every three years, not to exceed a five-year reporting period, or a federal awarding agency or pass-through entity may require annual reporting for the first three years of a federal award and thereafter require reporting every five years).

- **EQUIPMENT**

Equipment includes tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by Heidelberg University for financial statement purposes, or \$10,000. (Note: For grants received prior to Oct 1, 2024, this amount was previously set at \$5,000.)

Our capitalization level at Heidelberg University level is [\\$5,000 for tax reporting purposes for capitalization levels](#).

## Title

Title to equipment acquired under a federal award generally will vest upon acquisition with our Heidelberg University unless the federal award terms and conditions specify the property remains federally owned property.

The terms and conditions of the federal award should include how the equipment title is held.

## Use

The university must use the equipment for the authorized purposes of the project until funding for the project ceases or until the property is no longer needed for the purposes of the project.

The university must not encumber the property without the approval of the federal awarding agency or pass-through entity.

During the time that equipment is used on the project or program for which it was acquired, the university must also make the equipment available for use on other projects or programs currently or previously supported by the federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired as directed by the federal awarding agency.

First, preference for other uses must be given to other programs or projects supported by the federal awarding agency that financed the equipment, and second, preference must be given to programs or projects under federal awards from other federal awarding agencies.

Use for non-federally-funded programs or projects is also permissible. User fees should be considered if appropriate.

However, the university must not use equipment acquired with the federal award to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by federal statute for as long as the federal government retains an interest in the equipment.

Unless prohibited in the terms and conditions of the federal award, when acquiring replacement equipment, the university may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

### **Management and Control**

The university is required to provide procedures for management and control of the equipment (including replacement equipment), whether acquired in whole or in part, under a federal award until disposition takes place.

Therefore, at a minimum, the Heidelberg University staff should use the following procedures.

1. Maintain property records that include the following:
  - Description of the property
  - Serial number or another identification number
  - Source of funding for the property (including the FAIN)
  - Who holds the title
  - Acquisition date
  - Cost of the property

- Percentage of federal participation in the project costs for the federal award under which the property was acquired
  - Location
  - Use and condition of the property
  - Date of disposal (if applicable)
  - The sale price of the property (if applicable)
2. A physical inventory of the property will be taken, and the results must be reconciled with the property records at least once every two years.
  3. A control system, such as physical security and periodic inventories, will be used to ensure adequate safeguards to prevent loss, damage, or theft of the property.
    - Any loss, damage, or theft must be investigated.
  4. Adequate maintenance procedures will be used to keep the property in good condition.
  5. If the university is authorized or required to sell the property, proper sales procedures must be used to ensure the highest possible return.

## **Disposal**

When the university no longer needs the property for the original program or project, the equipment may be first be used in other activities supported by the federal awarding agency, in the following order of priority:

1. Activities under a federal award from the federal awarding agency that funded the original program or project, then
2. Activities under federal awards from other federal awarding agencies: This includes consolidating equipment for information technology systems to make more efficient use of computer resources and prevent servers and storage equipment from being under-utilized.

When original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, except as otherwise provided in federal statutes, regulations, or federal awarding agency disposition instructions, university staff must request disposition instructions from the federal awarding agency if required by the terms and conditions of the federal award.

Disposition of the equipment will be made as follows, in accordance with federal awarding agency disposition instructions:

1. Items of equipment with a current per unit fair market value of \$10,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency.
2. Except as provided in §200.312 Federally-owned and exempt property, paragraph (b), or if the federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair-market value in excess of \$10,000 may be retained by Heidelberg University or sold.
3. The federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from the sale by the federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the federal awarding agency may permit Heidelberg University to deduct and retain from the federal share \$1,000, for its selling and handling expenses.
4. The university may transfer title to the property to the federal government or to an eligible third party provided that, in such cases, we are entitled to compensation for our attributable percentage of the current fair market value of the property.
5. In cases where university staff fail to take appropriate disposition actions, the federal awarding agency may provide additional instructions for disposition actions.

- **SUPPLIES AND OTHER EXPENDABLES**

Supplies include all tangible personal property other than property that meets the description of equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established for financial statement purposes or \$10,000, regardless of the length of its useful life.

### **Title**

The title to supplies will generally vest with Heidelberg University upon acquisition.

### **Use**

As long as the federal government retains an interest in the supplies, the university can't use supplies acquired under a federal award to provide services to other organizations for a fee that is less than private companies charge for equivalent services unless specifically authorized by federal statute.

## Management and Control

Heidelberg University is required to provide oversight and control of supplies and other expendables, just like other forms of property. On occasion, federal awarding agencies may add additional requirements in the terms and conditions of the federal award concerning computing devices and electronics.

## Disposal

If there is a residual inventory of unused supplies exceeding \$10,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federal award, we must retain the supplies for use on other activities or sell them, but must, in either case, compensate the federal government for its share. If the supplies are sold, the federal agency or pass-through entity may permit the recipient or subrecipient to retain, from the federal share, \$1,000 of the proceeds to cover expenses associated with the selling and handling of the supplies.

### ▪ INTANGIBLE PROPERTY

Intangible property includes property having no physical existence, such as trademarks, copyrights, patents, and patent applications, and property, such as loans, notes, and other debt instruments, lease agreements, stock, and other instruments of property ownership (whether the property is tangible or intangible).

## Title

Title to intangible property acquired under a federal award vest upon acquisition with Heidelberg University.

## Use

The university must use that property for the originally authorized purpose and must not encumber the property without the approval of the federal awarding agency.

The university may copyright any work that is subject to copyright and was developed or for which ownership was acquired under a federal award. The federal awarding agency reserves a royalty-free, non-exclusive, and irrevocable right to reproduce, publish, or otherwise use the work for federal purposes and to authorize others to do so.

The university is subject to applicable regulations governing patents and inventions, including government-wide regulations issued by the Department of Commerce at 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Awards, Contracts, and Cooperative Agreements."

## Other Rights

In addition to the use of intellectual property discussed above, the university supports the federal government's right to:

1. Obtain, reproduce, publish, or otherwise use the data produced under a federal award.
2. Authorize others to receive, reproduce, publish, or otherwise use such data for federal purposes.
3. Comply with the Freedom of Information Act (FOIA) requirements.

## Disposal

When no longer needed for the originally authorized purpose, disposition of the intangible property must occur in accordance with the provisions in §200.313 Equipment paragraph (e).

### ▪ **PROPERTY TRUST RELATIONSHIP**

When real property, equipment, and intangible property are acquired or improved with federal awards, it must be held in trust for the beneficiaries of the program or project for which it was purchased.

Federal agencies can require Heidelberg University to record liens or other notices to indicate that the property was acquired or improved with a federal award.

The federal agency can also apply certain conditions around the use and disposal of the property.

[If your federal awards have specific conditions about the use and disposal of property, you may want to put them here.]

See individual grant agreements for specific terms and conditions of awards.

[If your Heidelberg University includes specific tagging of federally owned property, you can put that process here.]

The Heidelberg University Controller will be in charge of overseeing tagging of federally purchased equipment. Controller will develop and implement a tagging system.

### ▪ **INSURANCE**

For property that the title is held by Heidelberg University, at a minimum, we will provide equivalent insurance coverage for real property and equipment acquired or improved with federal funds as the other property owned by the Heidelberg University.

If the title to the property remains with the federal government, Heidelberg University will not insure federally-owned property unless required by the terms and conditions of the federal award.

## G. COST ALLOCATION

### ▪ TYPES OF COST ALLOCATIONS

There are many types of cost allocation plans for allocating costs to federal awards. Some of the most common types are:

- Facilities cost allocation
- Fringe cost allocations
- Indirect cost allocation
- Other cost allocations such as shared-service allocations for Information Technology (IT) services and motor-pool support and public assistance cost allocations

The most appropriate type of allocation seeks to match the cost driver with the allocation method to ensure the federal award pays its fair share of costs.

[See Appendix L for Sample Cost Allocations for facility costs, fringe benefits, and indirect cost allocation.]

### ▪ FACILITIES ALLOCATIONS

Facilities costs, including the costs of utilities, security, and taxes, are typically allocated across the square footage used by various programs and support functions.

Facilities costs could also be allocated to programs and departments using the actual costs for a dedicated building, or the entire facilities costs could be allocated to the indirect costs to be included in the indirect cost rate allocation.

At Heidelberg University, we allocate facilities costs with the following method:

Heidelberg is not currently charging facilities costs to any grants. If we were to do so, actual costs would be used when available. If actual costs were not available for the space, a reasonable alternative method such as square footage above would be used.

INSERT HERE- rooms charges, space charges

No current room or space charges at this time.

- **FRINGE COST ALLOCATION**

Fringe costs are typically allocated across a method, such as the percentage of wages, wages plus paid time off, or a direct cost allocation of fringe costs.

Heidelberg University allocates allowable fringe costs to the federal awards based on the following: [Put the fringe cost allocation method here below.]

The university tries to recover a direct allocation of fringe benefits including health care costs (circa 12%), FICA (circa 7.65%), and BWC costs circa (2% to 4% on an average year).

Our current fringe cost allocation rate is:

Between 20% - 30% of salary/wages.

Vacation, Holiday and Sick Leave times are recorded separately on timesheets and can be applied to grants as needed as long as it is not covered on indirect .

- **INDIRECT COST ALLOCATIONS**

Under 2 CFR Part 200, Indirect costs are typically recovered either through negotiating a Negotiated Indirect Cost Rate Agreement (NICRA) with our Cognizant agency or the election of up to the 15% de minimis rate under subsection 200.414 Indirect (F&A) costs (f).

The university uses the following process to determine our indirect cost allocations for federal awards:

The cognizant federal agency for Heidelberg University is Health and Human Services (HHS).

Heidelberg University's current NICRA (Negotiated Indirect Cost Rate Agreement) is effective as of 07/01/2023 through 06/30/2027 and allows for 48.5% Indirect Costs on-campus and 16% Indirect Costs off-campus. (A complete copy of the NICRA agreement is available from the Chief Financial Officer, however excerpts from that signed copy are shown below with the proper rates identified).

- **HEIDELBERG UNIVERSITY'S INDIRECT COST RATE FROM 07/01/2021 TO 06/30/2023 WAS 59.00% ON CAMPUS/25.00% OFF CAMPUS; DISTRIBUTION BASE IS FINAL.**
- **AFTER JULY 1, 2023, AND CONTINUING THROUGH 06/30/2027, THE INDIRECT RATES CHANGED TO 48.50% ON CAMPUS, AND 16.50% OFF-CAMPUS; DISTRIBUTION BASE IS PREDETERMINED.**
- **ANY INDIRECT FEES CHARGE AFTER 07/01/2027 CAN CONTINUE TO USE THIS SAME RATE, UNTIL AMENDED.**
- **TABLE BELOW EXCERPTED FROM SIGNED INDIRECT COST AGREEMENT.**

SECTION I: Facilities And Administrative Cost Rates					
RATE TYPES:	FIXED	FINAL	PROV. (PROVISIONAL)	PRED. (PREDETERMINED)	
	EFFECTIVE PERIOD				
TYPE	FROM	TO	RATE(%)	LOCATION	APPLICABLE TO
FINAL	07/01/2021	06/30/2023	59.00	On Campus	All Programs
FINAL	07/01/2021	06/30/2023	25.00	Off Campus	All Programs
PRED.	07/01/2023	06/30/2027	48.50	On Campus	All Programs
PRED.	07/01/2023	06/30/2027	16.50	Off Campus	All Programs
PROV.	07/01/2027	Until Amended			Use same rates and conditions as those cited for fiscal year ending Jun 30, 2027

▪ **OTHER COST ALLOCATION PLANS**

[If you have other types of cost allocations, describe them here.]

**Heidelberg Specific Grant Procedures:**

Check with the [Financial Aid Director](#) for any grants setting scholarship amounts.

Check with the [Registrar](#) for any grants specific to CIPS codes and licensures.

Check with the [Director of Career and Military Services](#) to set up any grants related to military or veteran services.

Check with the [Human Resources Director](#) to set all wage and benefit rates in grant proposals. Job Descriptions and wage rates must be set PRIOR to the proposal being submitted to ensure fairness and accuracy of proper wage reporting.

The [Heidelberg University Strategic Leadership Team](#) must be notified of all grants and a [Grant Champion](#) must be appointed by SLT prior to the grant proposal being submitted.

## H. CLOSEOUT

### ▪ **CLOSEOUT**

The university will close out each federal award at the end of the period of performance. As part of that process, university staff will complete the following actions:

- The recipient must submit, no later than 120 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the federal award. A subrecipient must submit to the pass-through entity no later than 90 calendar days (or an earlier date as agreed upon by the pass-through entity and subrecipient) after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the federal award.
- Unless the federal awarding agency or pass-through entity authorizes an extension, the university staff will liquidate all obligations incurred under the federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the federal award.
- Promptly refund any balances of unobligated cash that the federal awarding agency or pass-through entity paid in advance or paid and that are not authorized to be retained by use for us in other projects.
- Account for any real and personal property acquired with federal funds or received from the federal government in accordance with §200.310 Insurance coverage through 200.316 Property trust relationship and 200.330 Reporting on real property.
- Complete all closeout actions for the federal award.

Heidelberg University recognizes that even after the award has been closed out, we have continuing responsibilities to the federal awarding agency, including record retention and access to records.

### ▪ **POST-CLOSEOUT ADJUSTMENTS AND RESPONSIBILITIES**

Even after the federal award is complete, we may have continuing responsibilities to our federal awarding agency.

Our responsibilities include:

- Our obligation is to return any funds due as a result of later refunds, corrections, or other transactions, including final indirect cost rate adjustments.

- Audit requirements in 2 CFR Part 200 Subpart F.
- Continuing requirements for property management and disposition.
- Records retention as required.

Similarly, the federal awarding agency has continuing rights after the federal award is completed.

These rights include:

- The right of the federal awarding agency or pass-through entity to disallow costs and recover funds on the basis of a later audit or other reviews.

The federal awarding agency or pass-through entity is required to make any cost disallowance determination and notify Heidelberg University within the record retention period.

Once a federal award is closed out, our relationship under that federal award may be modified or ended in whole or in part with the consent of the federal awarding agency or pass-through entity as long as our post-closeout responsibilities are considered and provisions are made for continuing responsibilities, as appropriate.

- **RECORD RETENTION**

It is critical that adequate documentation is maintained to support the grant lifecycle as required by the 2 CFR Part 200. Therefore, records must be retained consistent with the university's record retention policy.

[\[See Appendix M: Sample Record Retention Matrix\]](#)

Record retention requirements for federal award recipients appear in the *Record Retention and Access* section of 2 CFR Part 200 Sections 200.334 through 200.338. The general rule for record retention is that the records must be retained for three years from the date of submission of the final expenditure report or, for federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the federal awarding agency or pass-through entity in the case of a subrecipient.

There are several exceptions to this general rule listed below.

**Exceptions:**

- For records supporting specific federal awards where the terms and conditions require a longer record retention period, we will follow the award terms and conditions.

- For records related to the production of tax returns and supporting financial reporting, we will follow the recommendations from the Internal Revenue Service (IRS) and state, local, or tribal taxing authorities.
- For records related to litigation, claims, or audits started before the three-year period expires, the university must retain records until all actions have been resolved and final action related to the litigation, claims, or audits has been taken.
- When the university is notified in writing by the federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs or pass-through entity to extend the retention period
- For real property and equipment, Heidelberg University must retain records for three years from the date of the final disposition of the property.
- When the federal awarding agency maintains the records, the three-year retention requirement does not apply to the federal award recipient.
- For program income received after the period of performance, the federal award recipient must retain such records for three years after the end of the federal award recipient's fiscal year during which the program income was earned.
- For indirect cost rate proposals and cost allocation plans that are submitted for negotiating, the three-year retention period starts from the date of submission. If not submitted for negotiation, the three-year retention period starts from the end of the fiscal year covered by the proposal, plan, computation, and supporting records.

In addition, the federal awarding agency must request the transfer of certain records to its custody when it determines that the records possess long-term retention value. However, the federal awarding agency may decide for the university to retain any records that are continuously needed for joint use.

### **Halt Destruction Process**

[Best practices are to have a halt destruction process in place to respond to requests for records related to litigation, claims, or audits started before the three-year period expires and when we are notified in writing to extend the retention period.]

If Heidelberg University receives a request for records related to litigation, claims, or audits started before the three-year period expires or when the university staff are notified in writing to extend the retention period, all employees must preserve all documents and records related to the request.

In order to avoid any destruction of the documents and records pertaining to that matter or subject, every employee must halt destruction that would otherwise be authorized by this record retention policy.

- **DATA AND INFORMATION**

When practical, university staff will collect, transmit, and store federal award-related information in open and machine-readable formats rather than in closed formats or on paper. When original records are paper, university staff may substitute electronic versions provided that they are subject to periodic quality control reviews, provide reasonable safeguards against alteration, and remain readable.

- **ACCESS TO RECORDS**

The federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, have the right of access to any documents, papers, or other records of Heidelberg University that are pertinent to the federal award, in order to make audits, examinations, excerpts, and transcripts.

This right also includes timely and reasonable access to our personnel for the purpose of interviews and discussions related to such documents.

The rights of access in this section are not limited to the required record retention period but continue as long as the records are retained.

- **RESTRICTIONS ON PUBLIC ACCESS**

Heidelberg University or the federal awarding agency may place restrictions on the disclosure of protected personally identifiable information.

Unless required by federal, state, local, and tribal statutes, university staff are not required to permit public access to our records.

When university records are provided to a federal agency, they will generally be subject to the Freedom of Information Act (FOIA) and applicable exemptions.

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## VI. APPENDICES

- **APPENDIX A: SAMPLE SIGNATORY AUTHORIZATION MATRIX**

### Signatory Authorization Matrix

#### Signatory Authorization Matrix for Signing Contracts of Any Kind

Title	Phone	Signatory Authority
President	419.448.2202	Primary Signatory
VP for Finance and Administration/CFO	419.448.2517	Primary Signatory
Business Office Manager	419.448.2183	References files only, no signatures. Also has access to drawdown funds in federal payment systems. This position also serves as Administrator of federal grant portal systems such as Department of Justice's JustGrants portals.
VP of Academic Affairs & Provost	419.448.2510	References files only, no signatures. Acts as a guiding power overseeing appointed project directors on grants and assuring they follow suggested compliance, reporting, and grant procedures.

#### Authorizations for Procurements

Name	Title	Phone	Email	Signatory Authority	Accounts
EMPLOYEE - General	Varies	Employee Directory online	Employee Directory online	\$50.00	ALL
PROJECT DIRECTORS	Varies	Employee Directory online	Employee Directory online	\$500.00	ALL
DEPARTMENT HEADS	Varies	Employee Directory online	Employee Directory online	\$2,000.00	ALL

SINGLE MEMBER of the Strategic Leadership Team	(See list below)	Employee Directory online	Employee Directory online	Up to \$2,500.00	ALL
FULL Strategic Leadership Team  <a href="https://www.heidelberg.edu/about/presidents-office/leadership">https://www.heidelberg.edu/about/presidents-office/leadership</a>	<p><b><u>Chris Abrams, EdD</u></b> Dean of Student Affairs</p> <p><b><u>Greg Cooper, MS</u></b> Director of Athletics</p> <p><b><u>Courtney DeMayo Pugno</u></b> Vice President for Academic Affairs and Provost</p> <p><b><u>Ashley Helmstetter, BA</u></b> Associate Vice President for Advancement, Alumni, and Community Relations</p> <p><b><u>Robert H. Huntington, EdD</u></b> President</p> <p><b><u>Victoria Black</u></b> Chief Human Resources and Compliance Officer</p> <p><b><u>Morgan Harrigan</u></b> Executive Director of Admissions and Enrollment</p> <p><b><u>Robert H. Huntington, EdD</u></b> President</p> <p><b><u>Vickie Sayre</u></b> Vice President of Finance and Administration (CFO)</p> <p><b><u>David Sosa</u></b> Executive</p>	Employee Directory online	Employee Directory online	\$2,500.00 to \$10,000.00	ALL

	Assistant to the President, Advancement, Finance, Human Resources, and The Board of Trustee				
<p>PRESIDENT AND/OR BOARD OF TRUSTEES</p> <p>Current Board of Trustees listings are posted at the following web address</p> <p><a href="https://www.heidelberg.edu/about/presidents-office/leadership">https://www.heidelberg.edu/about/presidents-office/leadership</a></p>	<p><b>Robert H. Huntington, EdD</b> President</p>	see Employee Directory online	see Employee Directory online	<p>\$10,000 or above, and/or</p> <p>Board approval is requested for Major Capital Improvement/ New Building Construction</p>	ALL

**\*PLEASE CONSULT THE [WWW.HEIDELBERG.EDU](http://www.heidelberg.edu) WEBSITE FOR THE MOST CURRENT LIST OF BOARD OF TRUSTEE MEMBERS.**

- **APPENDIX B: SAMPLE IN-KIND CONTRIBUTION FORM**

[Replace with an example of your Heidelberg University’s form or process.]

**In-Kind Contribution Form**

<b>Grantee Heidelberg University:</b>	
<b>Award #:</b>	
<b>Project:</b>	
<b>Authorizing Official Name/Email:</b>	
<b>Contact Person/Email:</b>	

To the best of our knowledge, the below goods and/or services were donated to our Heidelberg University in support of the project and are allowable costs per the approved project budget and 2 CFR 200 - Subpart E Cost Principles.

<b>Donor Name: (Print)</b>	
<b>Donor Email:</b>	
<b>Donor Phone:</b>	
<b>Description of Donation:</b>	
<b>Date Provided/Used:</b>	
<b>Fair Market Value:</b>	

2 CFR §200.306

(j) For third-party in-kind contributions, the fair market value of goods and services must be documented and, to the extent feasible, supported by the same methods used internally by the Non-federal entity.

<b>Volunteer Name: (Print)</b>	
<b>Volunteer Email:</b>	
<b>Volunteer Phone:</b>	
<b>Total Hours Worked:</b>	
<b>Location of Services:</b>	
<b>Service Performed:</b>	
<b>Fair Market Value of Services:</b>	
<b>Rate Based on:</b>	

2 CFR §200.306 (e) Rates for third-party volunteer services must be consistent with those paid for similar work by the nonfederal entity. In those instances, in which the required skills are not found in the Non-federal entity, rates must be consistent with those paid for similar work in the labor market in which the Non-federal entity competes for the kind of services involved.

(j) For third-party in-kind contributions, the fair market value of goods and services must be documented and, to the extent feasible, supported by the same methods used internally by the Non-federal entity.

- **APPENDIX C: SAMPLE COST TRANSFER FORM**

[Replace with an example of your Heidelberg University’s form or process.]

**Cost Transfer Form**

<b>Cost Transfer Form</b>	<b>Heidelberg University</b>
Requested by:	
Date:	
Why was this originally charged to the account from which it is now being transferred? (Explain the reason for originally charging the incorrect account)?	
Why should this expense be transferred? (Explain how this expense benefits the project)?	
How will you prevent this type of error or situation from happening in the future?	
From Award #	To Award #
From Account #	To Account #
Amount (\$)	
Does this transaction involve personnel expenses? (Y/N)	If yes, did you file a Change of Status Form with Human Resources as appropriate?
Date:	
Cost Transfer Authorized (Y/N)	
Authorizing Official Name	
Authorizing Official Title	
Date Authorized:	

▪ **APPENDIX D: SAMPLE PERSONNEL ACTIVITY REPORT (PAR)**

[Replace with an example of your Heidelberg University’s form or process.]

**Sample Personnel Activity Report (Time and Effort Report)**

<b>Heidelberg University</b> _____	
<b>Employee’s Name:</b> _____	<b>Week Ending:</b> _____
<b><u>Activity</u></b>	<b><u>Distribution of Time</u></b>
Project:	
1. Grant #: _____	_____ %
2. Grant #: _____	_____ %
Other:	
3. Project name: _____	_____ %
4. Project name: _____	_____ %
5. Project name: _____	_____ %
Administrative: _____	_____ %
Fundraising: _____	_____ %
Leave:	
Sick _____	_____ %
Vacation _____	_____ %
Other (specify): _____	_____ %
<b>TOTAL:</b>	<b>100 %</b>
<b>Employee’s Signature:</b> _____	<b>Date:</b> _____
<b>Supervisor’s Signature:</b> _____	<b>Date:</b> _____

§200.430 Compensation—personal services. (g) Standards for Documentation of Personnel Expenses (1) Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the Non-federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the Non-federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); (iv) Encompass both federally assisted and all other activities compensated by the Non-federal entity on an integrated basis, but may include the use of subsidiary records as defined in the Non-federal entity's written policy; (v) Comply with the established accounting policies and practices of the Non-federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and Non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

▪ **APPENDIX E: SAMPLE SUBRECIPIENT RISK ASSESSMENT CHECKLIST**

**Subrecipient Risk Assessment Checklist**

§200.332 Requirements for pass-through entities require an evaluation of each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate level of subrecipient monitoring.

Here are some areas to consider in your subrecipient risk assessment:

- The subrecipient's prior experience with the same or similar subawards
- Results of previous audits (including whether or not the subrecipient receives a Single Audit), such as findings and questioned costs
- Whether the subrecipient has new personnel or new or substantially changed systems
- The extent and results of other federal awarding agency monitoring (for example, the subrecipient also receives federal awards directly from a federal awarding agency)
- Financial stability of the Heidelberg University
- History of filing reporting in a timely manner
- Prior compliance with award terms and conditions

Pass-through entity monitoring of the subrecipient must include:

- Review financial and performance reports required by the pass-through entity
- Follow-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award
- Issue a management decision for applicable audit findings pertaining only to the award
- Resolve audit findings specifically related to the subaward

Depending upon the assessment of risk, the following monitoring tools may be added to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- Provide subrecipients with training and technical assistance on program-related matters
- Perform on-site reviews of the subrecipient's program operations and arrange for agreed-upon-procedures engagements

▪ **APPENDIX F: SAMPLE SUBCONTRACTOR EVALUATION CHECKLIST**

[Replace with an example of your Heidelberg University's form or process.]

**Contractor Evaluation Checklist**

**Heidelberg University** is required to award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, a record of past performance, and financial and technical resources.

Contractor Integrity

- Do they have a Code of Conduct and Conflict of Interest Policy?
- What is their Better Business Bureau (BBB) Rating?
- Do they have a Board of Directors providing oversight?
- Do they have an annual audit? If so, have there been findings?

Compliance with Public Policy

- Do they have a history of complaints about discrimination or other public policy violations?
- How do they stay up to date on public policy requirements?

Record of Past Performance

- What is their past performance with our Heidelberg University?
- Who are some previous and current clients that you can check with?
- Do they have a reputation for completing their work on schedule?

Financial Resources

- How long have they been in business?
- Who owns the company?
- How strong is their Balance Sheet?
- What is the D & B Rating or another credit rating?

Technical Resources

- Who will be providing technical expertise?
- If required, is their license current and in good standing?

Suspension and Debarment

Is the company suspended or debarred?

Is the principal suspended or debarred?

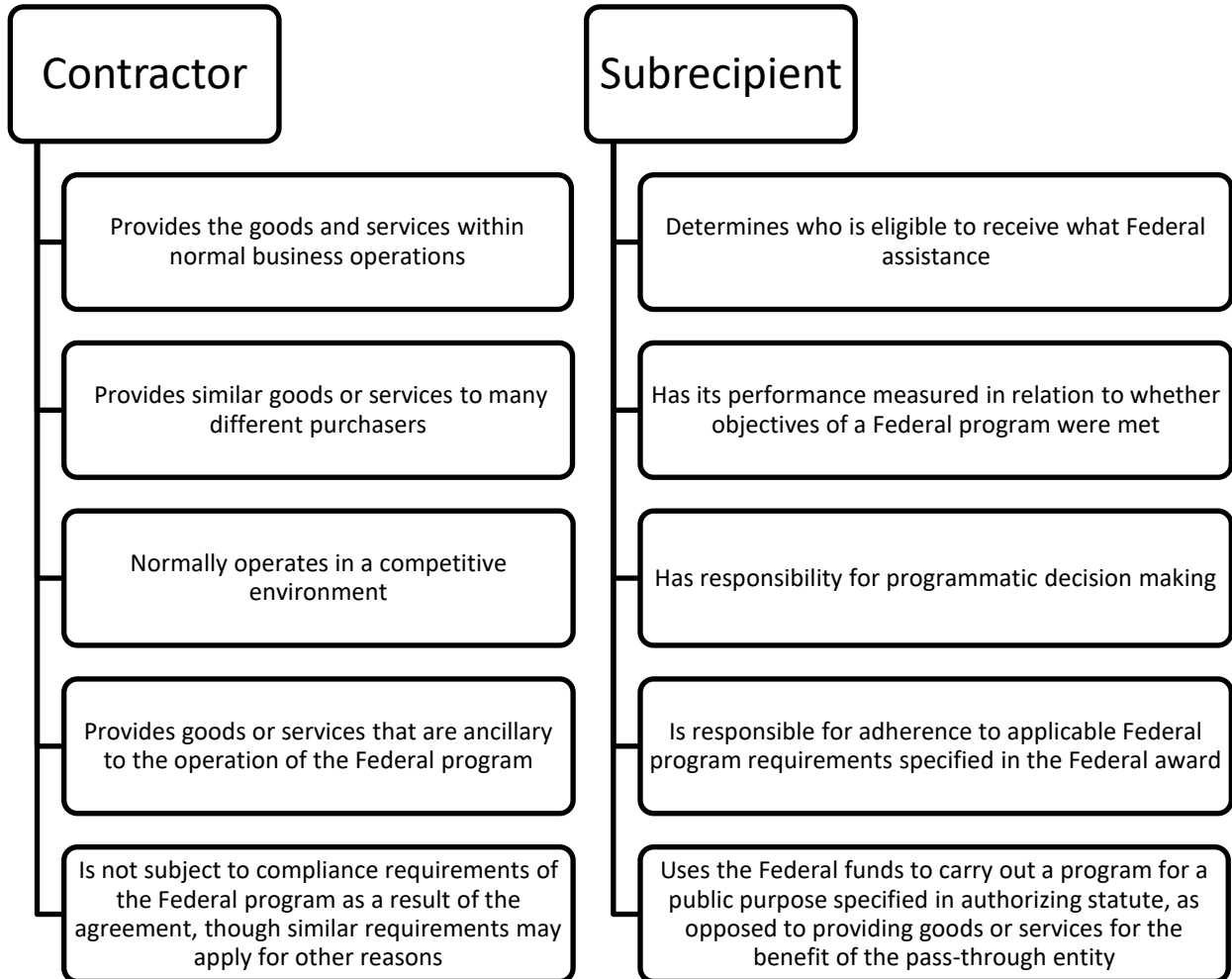
Other \_\_\_\_\_

Other \_\_\_\_\_

▪ **APPENDIX G: SAMPLE CONTRACTOR VS. SUBRECIPIENT GUIDE**

[Replace with an example of your Heidelberg University's form or process.]

**Contractor Vs. Subrecipient Guide**



Determination:

▪ **APPENDIX H: SELECTED ITEMS OF COST**

2 CFR Part 200 Sections 200.420 thru 200.476 titled General Provisions for Selected Items of Cost 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 of allowability in each case should be based on the treatment standards provided for similar or related items of cost.

**General Provisions for Selected Items of Cost**

200.420 Considerations for selected items of cost.	200.449 Interest.
200.421 Advertising and public relations.	200.450 Lobbying.
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200.423 Alcoholic beverages.	200.452 Maintenance and repair costs.
200.424 Alumni activities.	200.453 Materials and supplies costs, including costs of computing devices.
200.425 Audit services.	200.454 Memberships, subscriptions, and professional activity costs.
200.426 Bad debts.	200.455 Heidelberg University costs.
200.427 Bonding costs.	200.456 Participant support costs.
200.428 Collections of improper payments.	200.457 Plant and security costs.
200.429 Commencement and convocation costs.	200.458 Pre-award costs.
200.430 Compensation—personal services.	200.459 Professional service costs.
200.431 Compensation—fringe benefits.	200.460 Proposal costs.
200.432 Conferences.	200.461 Publication and printing costs.
200.433 Contingency provisions.	200.462 Rearrangement and reconversion costs.
200.434 Contributions and donations.	200.463 Recruiting costs.
200.435 Defense and prosecution of criminal and civil proceedings and claims, appeals and patent infringements.	200.464 Relocation costs of employees.
200.436 Depreciation.	200.465 Rental costs of real property and equipment.
200.437 Employee health and welfare costs.	200.466 Scholarships, student aid costs, and tuition remission.
200.438 Entertainment and prizes.	200.467 Selling and marketing costs.
200.439 Equipment and other capital expenditures.	200.468 Specialized service facilities.
200.440 Exchange rates.	200.469 Student activity costs.
200.441 Fines, penalties, damages, and other settlements.	200.470 Taxes (including Value Added Tax).
200.442 Fundraising and investment management costs.	200.471 Telecommunication costs and video surveillance costs.
200.443 Gains and losses on disposition of depreciable assets.	200.472 Termination and standard closeout costs.
200.444 General costs of government.	200.473 Training and education costs.
200.445 Goods or services for personal use.	200.474 Transportation costs.
200.446 Idle facilities and idle capacity.	200.475 Travel costs.
200.447 Insurance and indemnification.	200.476 Trustees.
200.448 Intellectual property.	

### **§ 200.420 Considerations for selected items of cost.**

(a) This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to other requirements of this subpart. These principles apply whether or not a particular cost item is properly treated as a direct or indirect cost.

(b) The following sections are not intended to be a comprehensive list of potential items of cost encountered under Federal awards. Failure to mention a particular item of cost, including as an example in certain sections, is not intended to imply that it is either allowable or unallowable. When determining the allowability for an item of cost, each case should be based on the treatment provided for similar or related items of cost and based on the principles described in §§ 200.402 through 200.411. In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs. Criteria outlined in § 200.403 must be applied in determining allowability.

### **§ 200.421 Advertising and public relations.**

(a) The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media includes, but is not limited to, magazines, newspapers, radio and television, direct mail, exhibits, and electronic or computer transmittals.

(b) The only allowable advertising costs are those which are solely for:

(1) The recruitment of personnel required by the recipient or subrecipient for the performance of a Federal award (See also § 200.463);

(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 the recipient or subrecipient is reimbursed for disposal costs at a predetermined amount; or

(4) Program outreach (for example, recruiting project participants) and other specific purposes necessary to meet the Federal award requirements.

(c) The term “public relations” includes community relations and means those activities dedicated to maintaining the recipient's or subrecipient's image or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

(d) The only allowable public relations costs are:

(1) Costs specifically required by the Federal award;

(2) Costs of communicating with the public and press about specific activities or accomplishments which result from the performance of the Federal award (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 to keep the public informed on matters of public concern, such as notices of funding opportunities or financial matters.

(e) Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in paragraphs (b) and (d) of this section;

(2) Costs of meetings, conventions, conferences, or other events related to other activities of the entity (see also § 200.432), including:

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

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

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

(3) Costs of promotional items and memorabilia;

(4) Costs of advertising and public relations designed solely to promote the recipient or subrecipient.

#### **§ 200.422 Advisory councils.**

An advisory council or committee is a body that provides advice to the management of such entities as corporations, organizations, or foundations. Costs incurred by both internal and external advisory councils or committees are allowable if authorized by statute, the Federal agency, or as an indirect cost where allocable to Federal awards. See § 200.444, which applies to States, local governments, and Indian Tribes.

#### **§ 200.423 Alcoholic beverages.**

The cost of alcoholic beverages is unallowable.

#### **§ 200.424 Alumni activities.**

Costs incurred by IHEs for, or in support of, alumni activities are unallowable.

### **§ 200.425 Audit services.**

(a) A reasonably proportionate share of the costs of audits required by and performed in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), and the requirements of this part are allowable. However, the following audit costs are unallowable:

(1) Any costs when audits required by the Single Audit Act and subpart F of this part have not been conducted, or have been conducted but not in accordance with the requirements; and

(2) Except as provided for in paragraph (c) of this section, any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the Single Audit Act and subpart F of this part because its expenditures under Federal awards are less than \$1,000,000 during its fiscal year.”

(b) The costs of a financial statement audit of a recipient or subrecipient that does not currently have a federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

(c) Pass-through entities may charge Federal awards for the cost of agreed-upon procedures engagements to monitor subrecipients (in accordance with §§ 200.331-333) exempt from having an audit conducted under the Single Audit Act and the requirements of this part. This cost is allowable only if the agreed-upon procedures engagements are:

(1) Conducted in accordance with GAGAS or applicable international attestation standards, as appropriate;

(2) Paid for and arranged by the pass-through entity; and

(3) Limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.

### **§ 200.426 Bad debts.**

Bad debts (debts determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts are also unallowable. See § 200.428.

### **§ 200.427 Bonding costs.**

(a) Bonding costs arise when the Federal agency requires assurance against financial loss to itself or others because of an act or default of the recipient or subrecipient. They also arise when the recipient or subrecipient requires similar assurance, including bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds for employees and officials.

(b) Costs of bonding required under the Federal award's terms and conditions are allowable.

(c) Costs of bonding required by the recipient or subrecipient in the general conduct of its operations are allowable as an indirect cost to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

#### **§ 200.428 Collections of improper payments.**

The costs incurred by a recipient or subrecipient to recover improper payments, including improper overpayments, are allowable as either direct or indirect costs, as appropriate. The recipient or subrecipient may use the amounts collected in accordance with cash management standards described in § 200.305.

#### **§ 200.429 Commencement and convocation costs.**

For IHEs, costs incurred for commencements and convocations are unallowable, except as activity costs provided for in Appendix III, (B)(9) Student Administration and Services.

#### **§ 200.430 Compensation—personal services.**

(a) General. Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits addressed in § 200.431. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established written policy of the recipient or subrecipient consistently applied to both Federal and non-Federal activities;
- (2) Follows an appointment made in accordance with the recipient's or subrecipient's laws, rules, or written policies and meets the requirements of Federal statute, where applicable; and
- (3) Is determined and supported as provided in paragraph (g) of this section, when applicable.

(b) Reasonableness. Compensation for employees engaged in work on Federal awards will be reasonable to the extent that it is consistent with that paid for similar work in other activities of the recipient or subrecipient. In cases where the kinds of employees required for Federal awards are not found in the other activities of the recipient or subrecipient, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the recipient or subrecipient competes for the kind of employees involved.

(c) Professional activities outside the recipient or subrecipient. Unless the Federal agency expressly authorizes an arrangement, a recipient or subrecipient must follow its written policies and procedures concerning the permissible extent of professional services that can be provided outside the recipient or subrecipient for non-organizational compensation. Where the recipient or subrecipient does not have written policies or procedures, or they do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the Federal Government may require the recipient or subrecipient to allocate the effort of professional staff working on Federal awards between:

(1) Recipient or subrecipient activities, and

(2) Non-organizational professional activities. Appropriate arrangements governing compensation must be negotiated on a case-by-case basis if the Federal agency considers the extent of non-organizational professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the Federal award.

(d) Unallowable costs.

(1) Costs unallowable under other sections of these principles must not be allowable under this section solely because they constitute personnel compensation.

(2) The allowable compensation for certain employees is subject to a ceiling in accordance with Federal statute. See 10 U.S.C. 3744(a)(16), 41 U.S.C. 1127, and 41 U.S.C. 4304(a)(16) for the ceiling amount, covered compensation subject to the ceiling, covered employees, and other relevant provisions for cost-reimbursement contracts. For other types of Federal awards, other statutory ceilings may apply.

(e) Special considerations. Special considerations in determining the allowability of compensation will be given to any change in a recipient's or subrecipient's compensation policy resulting in a substantial increase in its employees' level of compensation (particularly when the change was concurrent with an increase in the ratio of Federal awards to other activities) or any change in the treatment of allowability of specific types of compensation due to changes in Federal policy.

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

**(g) Standards for Documentation of Personnel Expenses.**

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the recipient or subrecipient;

(iii) Reasonably reflect the total activity for which the employee is compensated by the recipient or subrecipient, not exceeding 100 percent of compensated activities (for IHEs, this is the IBS);

(iv) Encompass federally-assisted and all other activities compensated by the recipient or subrecipient on an integrated basis but may include the use of subsidiary records as defined in the recipient's or subrecipient's written policy;

(v) Comply with the established accounting policies and procedures of the recipient or subrecipient (See paragraph (i)(1)(ii) of this section for treatment of incidental work for IHEs.); and

(vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(vii) Budget estimates (meaning, estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity performed;

(B) Significant changes in the related work activity (as defined by the recipient's or subrecipient's written policies) are promptly identified and entered into the records. Short-term (such as one or two months) fluctuations between workload categories do not need to be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The recipient's or subrecipient's system of internal controls includes processes to perform periodic after-the-fact reviews of interim charges made to a federal award based on budget estimates. All necessary adjustments must be made so that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

(viii) Because practices vary as to the activity constituting a full workload (for example, the Institutional Base Salary (IBS) for IHEs), records may reflect categories of activities expressed as a percentage distribution of total activities.

(ix) It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. Therefore, a precise assessment of factors contributing to costs is not required when IHEs record salaries and wages charged to Federal awards.

(2) For records that meet the standards required in paragraph (g)(1) of this section, the recipient or subrecipient is not required to provide additional support or documentation for the work performed other than that referenced in paragraph (g)(3) of this section.

(3) In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR part 516), charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

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

(5) States, local governments, and Indian Tribes may use substitute processes or systems for allocating salaries and wages to Federal awards either in place of or in addition to the records described in paragraph (g)(1) of this section if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, "rolling" time studies, case counts, or other quantifiable measures of work performed.

(i) Substitute systems that use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards, including:

(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (g)(5)(iii);

(B) The sample must cover the entire period involved; and

(C) The results must be statistically valid and applied to the period being sampled.

(ii) Allocating charges for the sampled employees' supervisors and clerical and support staff, based on the results of the sampled employees, will be acceptable.

(iii) Less than full compliance with the statistical sampling standards noted in paragraph (5)(i) may be accepted by the cognizant agency for indirect costs if it concludes that the amounts allocated to Federal awards will be minimal or if it concludes that the system proposed by the

recipient or subrecipient will result in lower costs to Federal awards than a system which complies with the standards.

(6) Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance when these are clearly documented. These plans are acceptable as an alternative to requirements in paragraph (g)(1) of this section when approved by the cognizant agency for indirect costs.

(7) For Federal awards of similar purpose activity or instances of approved blended funding, a recipient or subrecipient may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-oriented metrics, provided the plans are approved in advance by all involved Federal agencies. In these instances, the recipient or subrecipient must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific activity that is applicable to all fund sources, and is based on quantifiable measures of the activity in relation to time charged.

(8) For a recipient or subrecipient whose records do not meet the standards described in this section, the Federal Government may require personnel activity reports, including prescribed certifications, or equivalent documentation supporting the records as required in this section.

(h) Nonprofit Organizations. This paragraph (h) provides guidance specific to only nonprofit organizations. For compensation to members of nonprofit organizations, trustees, directors, associates, officers, or the immediate families thereof, a determination must be made that the compensation is reasonable for the actual personal services rendered rather than a distribution of earnings above actual costs. Compensation may include director's and executive committee member's fees, incentive awards, off-site or incentive pay, location allowances, hardship pay, and cost-of-living differentials.

(i) Institutions of Higher Education (IHEs). This paragraph provides guidance specific to only IHEs.

(1) Determining allowable personnel costs. Certain conditions require special consideration and possible limitations in determining allowable personnel compensation costs under Federal awards. Among such conditions are the following:

(i) Allowable activities. Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animals, etcetera), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.

(ii) Incidental activities. Incidental activities for which supplemental compensation is allowable under the written institutional policy (at a rate not to exceed institutional base salary) do not need to be included in the records described in paragraph (g). To charge payments of incidental activities directly, such activities must either be expressly authorized in the Federal award budget or receive prior written approval by the Federal agency.

(2) Salary basis. Charges for work performed on Federal awards by faculty members during the academic year are allowable at the institutional base salary (IBS) rate. Except as noted in paragraph (i)(1)(ii), in no event will charges to Federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period. This principle applies to all members of the faculty at an institution. IBS is the annual compensation paid by an IHE for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. IBS excludes any income an individual earns outside of duties performed for the IHE. Unless there is prior approval by the Federal agency, charges of a faculty member's salary to a federal award may not exceed the proportionate share of the IBS for the period during which the faculty member worked on the Federal award.

(3) Intra-Institution of Higher Education (IHE) consulting. Intra-IHE consulting by faculty should be undertaken as an IHE responsibility requiring no compensation in addition to IBS. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the faculty members is in addition to their regular responsibilities, any charges for such work representing additional compensation above IBS are allowable provided that such consulting arrangements are expressly authorized in the Federal award or approved in writing by the Federal agency.

(4) Extra service pay. Extra service pay typically represents overload compensation, subject to institutional compensation policies for services above and beyond IBS. Where extra service pay results from Intra-IHE consulting, it is subject to the same requirements of paragraph (b) of this section. It is allowable if all of the following conditions are met:

(i) The IHE establishes consistent written policies which apply uniformly to all faculty members, not just those working on Federal awards.

(ii) The IHE establishes a consistent written definition of work covered by IBS, which is specific enough to determine conclusively when work beyond that level has occurred. This definition may be described in appointment letters or other documentation.

(iii) The supplementation amount paid is commensurate with the IBS pay rate and additional work performed. See paragraph (i)(2) of this section.

(iv) The salaries, as supplemented, fall within the salary structure and pay ranges established by and documented in writing or otherwise applicable to the IHE.

(v) The total salaries charged to Federal awards, including extra service payments, are subject to the standards of documentation as described in paragraph (g).

(5) Periods outside the academic year.

(i) Except as specified for teaching activity in paragraph (i)(5)(ii) of this section, charges for work performed by faculty members on Federal awards during periods not included in the base salary period must be at a rate not more than the IBS.

(ii) Charges for teaching activities performed by faculty members on Federal awards during periods not included in IBS period must be based on the written policy of the IHE governing compensation to faculty members for teaching assignments during such periods.

(6) Part-time faculty. Charges for work performed on Federal awards by faculty members having only part-time appointments must be determined at a rate not more than that regularly paid for part-time assignments.

(7) Sabbatical leave costs. Rules for sabbatical leave are as follows:

(i) Costs of leaves of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable, provided the IHE has a uniform written policy on sabbatical leave for persons engaged in instruction and persons engaged in research. These costs must be allocated equitably among all related activities of the IHE.

(ii) Where sabbatical leave is included in fringe benefits for which a cost is determined for assessment as a direct charge, the aggregate amount of such assessments applicable to all work of the institution during the base period must be reasonable in relation to the IHE's actual experience under its sabbatical leave policy.

(8) Salary rates for non-faculty members. Non-faculty full-time professional personnel may also earn "extra service pay" in accordance with the IHE's written policy and paragraph (i)(1)(i).

#### **§ 200.431 Compensation—fringe benefits.**

(a) General. Fringe benefits are allowances and services employers provide to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefits. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, an organization-employee agreement, or an established policy of the recipient or subrecipient.

(b) Leave. The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

- (1) They are provided under established written leave policies;
- (2) The costs are equitably allocated to all related activities, including Federal awards; and,
- (3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the recipient or subrecipient or a specified grouping of employees.

(i) When a recipient or subrecipient uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment and should be allocated as a general administrative expense to all activities or included in the fringe benefit rate.

(ii) The accrual basis may be only used for those types of leave for which a liability as defined by GAAP exists when the leave is earned. When a recipient or subrecipient uses the accrual basis of accounting, allowable leave costs are the lesser of the amount accrued or funded.

(c) Fringe benefits. The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in § 200.447); pension plan costs; and other similar benefits are allowable, provided such benefits are permitted under established written policies. The recipient or subrecipient must allocate fringe benefits to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs following the recipient's or subrecipient's accounting practices.

(d) Cost objectives. The recipient or subrecipient may assign fringe benefits to cost objectives by identifying specific benefits to specific individual employees or by allocating them based on entity-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees unless the recipient or subrecipient demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees.

(e) Insurance. See also § 200.447(d)(1) and (2).

(1) 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, the 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 must not exceed the present value of the liability.

(2) Insurance costs 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 cost of such insurance is unallowable when the recipient or subrecipient is named as beneficiary.

(3) Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (for example, post-retirement health benefits) are allowable in the year of payment provided that the recipient or subrecipient follows a consistent costing policy.

(f) Automobiles. That portion of automobile costs furnished by the recipient or subrecipient that relates to personal use by employees (including transportation to and from work) is unallowable as a fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees.

(g) Pension plan costs. Pension plan costs incurred in accordance with the established written policies of the recipient or subrecipient are allowable, provided that:

(1) Such policies meet the test of reasonableness.

(2) The methods of cost allocation are not discriminatory.

(3) The cost assigned to each fiscal year should be determined in accordance with GAAP, except for State and local governments.

(4) 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 calendar days after each quarter of the year to which such costs are assignable are unallowable. The recipient or subrecipient may follow the "Cost Accounting Standard for Composition and Measurement of Pension Costs" (48 CFR 9904.412).

(5) Premiums for pension plan termination insurance that are paid according to the Employee Retirement Income Security Act (ERISA) of 1974 (29 U.S.C. 1301-1461) are allowable. Late payment charges on such premiums are unallowable. Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.

(6) Pension plan costs may be computed using a pay-as-you-go method or an actuarial cost method recognized by GAAP and following the recipient's or subrecipient's established written policies.

(i) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(ii) Pension costs calculated using an actuarial cost method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after six months (or a later period agreed to by the cognizant agency for indirect costs) are allowable in the year funded. The cognizant agency for indirect costs may agree to an extension if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the recipient's or subrecipient's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the pension fund.

(iii) Amounts funded by the recipient or subrecipient in excess of the actuarially determined amount for a fiscal year may be used as the recipient's or subrecipient's contribution in future periods.

(iv) When a recipient or subrecipient establishes or converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion is allowable if amortized over a period of years in accordance with GAAP.

(v) Payments for unfunded pension costs must be charged in accordance with the allocation principles of this subpart. Specifically, the recipient or subrecipient may not charge unfunded pension costs directly to a federal award if those unfunded pension costs are not allocable to that award.

(vi) The recipient or subrecipient must provide the Federal Government an equitable share of any previously allowed pension costs (including subsequent earnings) that revert or inure to the recipient or subrecipient through a refund, withdrawal, or other credit.

(h) Post-retirement health. A post-retirement health plan (PRHP) refers to the costs of health insurance or health services not included in a pension plan covered by paragraph (g) for retirees and their spouses, dependents, and survivors. PRHP costs may be computed using a pay-as-you-go method or an actuarial cost method recognized by GAAP and following the recipient's or subrecipient's established written policies.

(1) For PRHP financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) PRHP costs calculated using an actuarial cost method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after six months (or a later period agreed to by the cognizant agency for indirect costs) are allowable in the year funded. The cognizant agency for indirect costs may agree to an extension if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the recipient's or subrecipient's contributions to the PRHP fund. Adjustments may be made by cash refund,

reduction in the current year's PRHP costs, or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the PRHP fund.

(3) Amounts funded by the recipient or subrecipient in excess of the actuarially determined amount for a fiscal year may be used as the recipient's or subrecipient's contribution in future periods.

(4) If a recipient or subrecipient establishes or converts to an actuarial cost method and funds PRHP costs in accordance with this method, the initial unfunded liability attributable to prior years is allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency for indirect costs.

(5) Payments for unfunded PRHP costs must be charged in accordance with the allocation principles of this subpart. Specifically, the recipient or subrecipient may not charge unfunded PRHP costs directly to a federal award if those unfunded PRHP costs are not allocable to that award.

(6) To be allowable in the current year, the PRHP costs must be paid either to:

(i) An insurer or other benefit provider as current year costs or premiums; or

(ii) An insurer or trustee that will maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

(7) The recipient or subrecipient must provide the Federal Government an equitable share of any previously allowed post-retirement benefit costs (including subsequent earnings) that revert or inure to the recipient or subrecipient through a refund, withdrawal, or other credit.

(i) Severance pay.

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

(i) Law;

(ii) Employer-employee agreement;

(iii) Established policy that constitutes, in effect, an implied agreement on the recipient's or subrecipient's part; or

(iv) Circumstances of the particular employment.

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

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

(ii) Measuring the costs of abnormal or mass severance pay by means of an accrual method will not achieve equity for both parties. Therefore, accruals are not allowable. However, the Federal Government recognizes its responsibility to contribute its fair share toward a specific payment. Prior approval by the Federal agency or cognizant agency for indirect cost, as appropriate, is required.

(3) Costs incurred in severance pay packages that are in excess of the standard severance pay provided by the recipient or subrecipient to an employee upon termination of employment and that are paid to the employee contingent upon a change in management control over, or ownership of, the recipient's or subrecipient's assets, are unallowable.

(4) Severance payments to foreign nationals employed by the recipient or subrecipient outside the United States, to the extent that the amount exceeds the customary or prevailing practices for the recipient or subrecipient in the United States, are unallowable unless they are required by applicable foreign law or necessary for the performance of Federal programs and approved by the Federal agency.

(5) Severance payments to foreign nationals employed by the recipient or subrecipient 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 recipient or subrecipient in that country, are unallowable unless they are either:

(i) Required by applicable foreign law; or

(ii) Necessary for the performance of Federal programs and approved by the Federal agency.

(j) For IHEs only.

(1) Fringe benefits in the form of undergraduate and graduate tuition or tuition remission for individual employees are allowable, provided such benefits are granted in accordance with established written policies of the IHE and are distributed to all IHE activities on an equitable basis. Tuition benefits for family members other than the employee are unallowable.

(2) Fringe benefits in the form of undergraduate and graduate tuition or tuition remission for individual employees not employed by the IHE are limited to the tax-free amount allowed by the Internal Revenue Code as amended (26 U.S.C. 127).

(3) IHEs may offer employees tuition waivers or reductions, provided that the benefit does not discriminate in favor of highly compensated employees. Employees can exercise these benefits at other institutions according to institutional policy. See § 200.466, for treatment of tuition remission provided to students.

(k) Fringe benefit programs and other benefit costs.

(1) For IHEs whose costs are paid by a State or local government, fringe benefit programs (such as pension costs and FICA) and any other benefits costs incurred specifically on behalf of, and in direct benefit to, the IHE, are allowable, subject to the following:

(i) The costs meet the requirements of Basic Considerations in §§ 200.402 through 200.411;

(ii) The costs are properly supported by approved cost allocation plans in accordance with applicable Federal cost accounting principles; and

(iii) The costs are not otherwise borne directly or indirectly by the Federal Government.

(2) The allowability of these costs for the IHE does not depend on whether they are recorded in the accounting records of the IHE.

[89 FR 30136, Apr. 22, 2024, as amended at 89 FR 79732, Oct. 1, 2024]

#### **§ 200.432 Conferences.**

A conference means an event whose primary purpose is to disseminate technical information beyond the recipient or subrecipient and is necessary and reasonable for successful performance under the Federal award. Allowable conference costs may include the rental of facilities, speakers' fees, attendance fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. The costs of identifying and providing locally available dependent-care resources for participants are allowable as needed. Conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary, and managed to minimize costs to the Federal award. The Federal agency may authorize exceptions for programs including Indian Tribes, children, and the elderly. See also §§ 200.438, 200.456, and 200.475.

#### **§ 200.433 Contingency provisions.**

(a) Contingency provisions are part of a budget estimate of future costs (typically of large construction projects, IT systems, or other items approved by the Federal agency) which are associated with possible events or conditions arising from causes for which the precise outcome is indeterminable at the time of estimate and that are likely to result, in the aggregate, in additional costs for the approved activity or project. Contingency amounts for

major project scope changes, unforeseen risks, or extraordinary events must not be included in the budget estimates for a federal award.

(b) It is permissible for contingency amounts other than those excluded in paragraph (a) of this section to be explicitly included in budget estimates to the extent necessary to improve their precision. Contingency amounts must be estimated using broadly-accepted cost estimating methodologies, specified in the budget documentation of the Federal award, and accepted by the Federal agency. As such, contingency amounts are to be included in the Federal award. In order for actual costs incurred to be allowable, they must comply with the cost principles and other requirements of this part (see §§ 200.300 and 200.403), be necessary and reasonable for proper and efficient accomplishment of project or program objectives, and be verifiable from the recipient's or subrecipient's records.

(c) Payments to a recipient's or subrecipient's "contingency reserve" or any similar payment made for events the occurrence of which cannot be foretold with certainty as to the time or intensity, or with an assurance of their happening, are unallowable, except as noted in §§ 200.431 and 200.447.

#### **§ 200.434 Contributions and donations.**

(a) Costs of contributions and donations, including cash, property, and services, from the recipient or subrecipient to other entities are unallowable.

(b) The value of services and property donated (that is, in-kind donations) to the recipient or subrecipient may not be charged to the Federal award either as a direct or indirect cost. The value of donated services and property may be used to meet cost sharing requirements (see § 200.306). Depreciation on donated assets is permitted so long as the donated property is not counted towards meeting cost sharing requirements (see § 200.436).

(c) Services donated or volunteered to the recipient or subrecipient may be provided by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services may not be charged to the Federal award as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing requirements in accordance with the provisions of § 200.306.

(d) To the extent feasible, services donated to the recipient or subrecipient will be supported by the same methods used to support the allocability of regular personnel services.

(e) The following provisions apply to nonprofit Heidelberg Universitys. The value of services donated to a nonprofit Heidelberg University and used in the performance of a direct cost activity must be considered in the determination of the recipient's or subrecipient's indirect cost rate(s) and, accordingly, must be allocated a proportionate share of applicable indirect costs when the following circumstances exist:

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

(2) The services are supported by a significant amount of the indirect costs incurred by the recipient or subrecipient;

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

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

(f) Fair market value of donated services must be computed as described in § 200.306.

(g) Personal property and use of space.

(1) Donated personal property and use of space may be furnished to a recipient or subrecipient. The value of the personal property and space may not be charged to the Federal award either as a direct or indirect cost.

(2) The value of the donations of personal property and use of space may be used to meet cost sharing requirements described in § 200.300. The recipient or subrecipient must value the donations in accordance with § 200.300. Where the recipient or subrecipient treats donations as indirect costs, indirect cost rates must separate the value of the donations so that reimbursement is not made.

### **§ 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.**

(a) Definitions for this section —

(1) Conviction means a judgment or conviction of a criminal offense by any court of competent jurisdiction, whether entered upon verdict or a plea, including a conviction due to a plea of nolo contendere.

(2) Costs include the services that bear a direct relationship to a judicial or administrative proceeding and provided by in-house or private counsel, accountants, consultants, or others engaged to assist the recipient or subrecipient before, during, or after the commencement of that proceeding.

(3) Fraud means:

(i) Acts of fraud or 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 that violate the False Claims Act (31 U.S.C. 3729-3732) or the Anti-kickback Act (42 U.S.C. 1320a-7b(b)).

(4) Penalty does not include restitution, reimbursement, or compensatory damages.

(5) Proceeding includes an investigation.

(b) Costs.

(1) Except as otherwise described herein, costs incurred in connection with any criminal, civil, or administrative proceeding (including the filing of a false certification) commenced by the Federal Government, a State, local government, or foreign government, or joined by the Federal Government (including a proceeding under the False Claims Act), against the recipient or subrecipient, (or commenced by third parties or a current or former employee of the recipient or subrecipient who submits a whistleblower complaint of reprisal in accordance with 10 U.S.C. 4701 or 41 U.S.C. 4712), are not allowable if the proceeding:

(i) Relates to a violation of, or failure to comply with, a Federal, State, local or foreign statute, regulation, or the terms and conditions of the Federal award by the recipient or subrecipient (including its agents and employees); and

(ii) 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 recipient or subrecipient liability.

(C) In the case of any civil or administrative proceeding, the disallowance of costs, the imposition of a monetary penalty, or an order issued by the Federal agency head or delegate to the recipient or subrecipient to take corrective action under 10 U.S.C. 4701 or 41 U.S.C. 4712.

(D) A final decision by an appropriate Federal official to debar or suspend the recipient or subrecipient, to rescind or void a federal award, or to terminate a federal award because of a violation or failure to comply with a statute, regulation, or the terms and conditions of the Federal award.

(E) A disposition by consent or compromise if the action could have resulted in any of the dispositions described in paragraphs (b)(1)(ii)(A) through (D) of this section.

(2) If more than one proceeding involves the same alleged misconduct, the costs of all such proceedings are unallowable if any results in one of the dispositions shown in paragraph (b) of this section.

(c) Allowability of costs for proceeding commenced by Federal Government. If a proceeding referred to in paragraph (b) of this section is commenced by the Federal Government and is resolved by consent or compromise pursuant to an agreement by the recipient or subrecipient and the Federal Government, then the costs incurred may be allowed to the extent expressly authorized in the agreement.

(d) Allowability of costs for proceeding commenced by State, local, or foreign government. If a proceeding referred to in paragraph (b) of this section is commenced by a State, local or foreign government, then the costs incurred may be allowed if the authorized Federal official determines that the costs were incurred as a result of:

(1) A specific term or condition of the Federal award, or

(2) Specific written direction of an authorized official of the Federal agency.

(e) Allowability of costs in general. Costs incurred in connection with proceedings described in paragraph (b), and not made unallowable by that paragraph, may be allowed to the extent that:

(1) The costs are reasonable and necessary for the administration of the Federal award and activities required to deal with the proceeding and the underlying cause of action;

(2) Payment of the reasonable, necessary, allocable and otherwise allowable costs incurred is not prohibited by any other provision(s) of the Federal award;

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

(4) An authorized Federal official has determined the percentage of costs allowed considering the complexity of litigation, generally accepted principles governing the award of legal fees in civil actions involving the United States, and other factors that may be appropriate. This percentage must not exceed 80 percent unless an agreement under paragraph (c) has explicitly considered this limitation and permitted a higher percentage. In that case, the total amount of costs incurred may be allowable.

(f) Major Fraud Act. Costs incurred by the recipient or subrecipient in connection with the defense of suits brought by its employees or ex-employees under section 2 of the Major Fraud Act of 1988 (18 U.S.C. 1031), including the cost of all relief necessary to make the employee whole, where the recipient or subrecipient was found liable or settled, are unallowable.

(g) Un-allowability of costs for prosecuting claims against Federal Government. Costs for prosecuting claims against the Federal Government, including appeals of final Federal agency decisions, are unallowable.

(h) Patent infringement litigation. 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 Federal award.

(i) Potentially unallowable costs. Costs that may be unallowable under this section, including directly associated costs, must be segregated and accounted for separately. During the pendency of any proceeding covered by paragraphs (b) and (f) of this section, the Federal Government must generally withhold payment of such costs. However, if in its best interests, the Federal Government may provide for conditional payment upon provision of adequate security, or other adequate assurance, and agreement to repay all unallowable costs, plus interest, if the costs are subsequently determined to be unallowable.

#### **§ 200.436 Depreciation.**

(a) Depreciation is the method for allocating the cost of fixed assets to periods benefiting from asset use. The recipient or subrecipient may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP provided that they are needed and used in the recipient's or subrecipient's activities and correctly allocated to Federal awards. The compensation must be made by computing the proper depreciation.

(b) The allocation for depreciation must be made in accordance with Appendices III through IX of this part.

(c) Depreciation is computed applying the following rules. The computation of depreciation must be based on the acquisition cost of the assets involved. For an asset donated to the recipient or subrecipient by a third party, its fair market value at the time of the donation must be considered as the acquisition cost. Such assets may be depreciated or claimed as cost sharing but not both. When computing depreciation charges, the acquisition cost 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 the title was originally vested or is presently located;

(3) Any portion of the cost of buildings and equipment contributed by or for the recipient or subrecipient that is already claimed as cost sharing or where law or agreement prohibits recovery; and

(4) Any asset acquired solely for the performance of a non-Federal award.

(d) When computing depreciation charges, the following must be observed:

(1) The period of useful service or useful life established in each case for usable capital assets must take into consideration such factors as the type of construction, nature of the equipment, technological developments in the particular area, historical data, and the renewal and replacement policies followed for the individual items or classes of assets involved.

(2) The depreciation method used to charge the cost of an asset (or group of assets) to accounting periods must 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 in the early portions than in the later portions of its useful life, the straight-line method must be presumed to be the appropriate method. Once used, depreciation methods may not be changed unless approved in advance by the cognizant agency for indirect costs. The depreciation methods used to calculate the depreciation amounts for indirect cost rate purposes must be the same methods used by the recipient or subrecipient for its financial statements.

(3) The entire building, including the shell and all components, may be treated as a single asset and depreciated over a single useful life. A building may also be divided into multiple components. Each component may be depreciated over its estimated useful life in this case. The building components must be grouped into three general components: building shell (including construction and design costs), building services systems (for example, elevators, HVAC, and plumbing system), and fixed equipment (for example, sterilizers, casework, fume hoods, cold rooms, and glassware/washers). A cognizant agency for indirect costs may authorize a recipient or subrecipient to use more than these three groupings in exceptional cases. When a recipient or subrecipient elects to depreciate its buildings by their components, the same depreciation method must be used for indirect and financial statements purposes, as described in paragraphs (d)(1) and (2).

(4) No depreciation may be allowed on assets that have outlived their depreciable lives.

(5) Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life (meaning, from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The total amount of use allowance and depreciation for an asset (including imputed depreciation applicable to periods before the conversion from the use allowance method and depreciation after the conversion) may not exceed the total acquisition cost of the asset.

(e) Adequate property records must support depreciation charges, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. The recipient or subrecipient may use statistical sampling techniques when taking these inventories. In addition, the recipient or subrecipient must maintain adequate depreciation records showing the amount of depreciation.

### **§ 200.437 Employee health and welfare costs.**

(a) Costs incurred in accordance with the recipient's or subrecipient's established written policies for improving working conditions, employer-employee relations, employee health, and employee performance are allowable.

(b) These costs must be equitably apportioned to all activities of the recipient or subrecipient. Income generated from these activities must be credited to the cost thereof unless such income has been irrevocably sent to employee welfare organizations.

(c) Losses resulting from operating food services are allowable only if the recipient's or subrecipient's objective is to operate food services on a break-even basis. Losses sustained because of operating objectives other than the above are allowable only when:

(1) The recipient or subrecipient can demonstrate unusual circumstances; and

(2) Approved by the cognizant agency for indirect costs.

### **§ 200.438 Entertainment and prizes.**

(a) Entertainment costs. Costs of entertainment, including amusement, diversion, and social activities and any associated costs (such as gifts), are unallowable unless they have a specific and direct programmatic purpose and are included in a federal award.

(b) Prizes. Costs of prizes or challenges are allowable if they have a specific and direct programmatic purpose and are included in the Federal award. Federal agencies should refer to OMB guidance in M-10-11 "Guidance on the Use of Challenges and Prizes to Promote Open Government," issued March 8, 2010, or its successor.

### **§ 200.439 Equipment and other capital expenditures.**

(a) See § 200.1 for the definitions of capital expenditures, equipment, special purpose equipment, general purpose equipment, acquisition cost, and capital assets.

(b) The following rules of allowability must apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are allowable as direct costs, but only with the prior written approval of the Federal agency or pass-through entity.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$10,000 or more have the prior written approval of the Federal agency or pass-through entity.

(3) Capital expenditures for improvements to land, buildings, or equipment that materially increase their value or useful life are allowable as a direct cost, but only with the prior written approval of the Federal agency or pass-through entity. See § 200.436 on the allowability of depreciation on buildings, capital improvements, and equipment. See § 200.465 on the allowability of real property and equipment rental costs.

(4) When approved as a direct cost in accordance with paragraphs (b)(1) through (3), capital expenditures must be charged in the period in which the expenditure is incurred or as otherwise determined appropriate and negotiated with the Federal agency.

(5) The recipient or subrecipient may claim the unamortized portion of any equipment written off as a result of a change in capitalization levels by continuing to claim the otherwise allowable depreciation on the equipment or by amortizing the amount to be written off over a period of years negotiated with the cognizant agency for indirect cost.

(6) Cost of equipment disposal. If the Federal agency instructs the recipient or subrecipient to otherwise dispose of or transfer the equipment, the costs of disposal or transfer are allowable.

(7) Equipment and other capital expenditures are unallowable as indirect costs. See § 200.436.

#### **§ 200.440 Exchange rates.**

(a) Cost increases for fluctuations in exchange rates are allowable costs subject to the availability of funding. Prior approval of exchange rate fluctuations is required only when the change results in the need for additional Federal funding, or the increased costs result in the need to significantly reduce the scope of the project. Before providing approval, the Federal agency must ensure that adequate funds are available to cover currency fluctuations in order to avoid a violation of the Antideficiency Act.

(b) The recipient or subrecipient is required to make reviews of local currency gains to determine the need for additional Federal funding before the expiration date of the Federal award. Subsequent adjustments for currency increases may be allowable only when the recipient or subrecipient provides the Federal agency with adequate source documentation from a commonly used source in effect at the time the expense was made, and to the extent that sufficient Federal funds are available.

#### **§ 200.441 Fines, penalties, damages and other settlements.**

Costs resulting from recipient or subrecipient violations of, alleged violations of, or failure to comply with, Federal, State, local, tribal, or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with the prior written approval of the Federal agency. See § 200.435.

#### **§ 200.442 Fundraising and investment management costs.**

(a) Costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions, are unallowable. Fundraising costs for meeting the Federal program objectives are allowable with the prior written approval of the Federal agency.

(b) Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable except when associated with investments covering pension, self-insurance, or other funds, which include Federal participation allowed by this part.

(c) Costs related to the physical custody and control of monies and securities are allowable.

(d) Both allowable and unallowable fundraising and investment activities must be allocated an appropriate share of indirect costs in accordance with § 200.413.

**§ 200.443 Gains and losses on the disposition of depreciable assets.**

(a) The recipient or subrecipient must include gains and losses on the sale, retirement, or other disposition of depreciable property in the year they occur as credits or charges to the asset cost grouping(s) of the property. The amount of the gain or loss is the difference between the amount realized on the property and the undepreciated basis of the property.

(b) Gains and losses from the disposition of depreciable property must not be recognized as a separate credit or charge under the following conditions:

(1) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under §§ 200.436 and 200.439.

(2) 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.

(3) A loss results from failing to maintain proper insurance, except as provided in § 200.447.

(4) Compensation for the use of the property was provided through use allowances instead of depreciation.

(5) Gains and losses arising from extraordinary or bulk sales, retirements, or other dispositions must be considered on a case-by-case basis.

(c) Gains or losses of any nature arising from the sale or exchange of property other than the property covered in paragraph (a) of this section must be excluded in computing Federal award costs.

(d) When assets acquired with Federal funds, in part or wholly, are disposed of, the distribution of the proceeds must be made in accordance with §§ 200.310 through 200.316.

#### **§ 200.444 General costs of government.**

(a) For states, local governments, and Indian Tribes, the general costs of government are unallowable except as provided in § 200.475. Unallowable costs include:

- (1) Salaries and expenses of the Office of the Governor of a State or the chief executive of a local government or the chief executive of an Indian Tribe;
  - (2) Salaries and other expenses of a State legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, or school board, whether incurred for purposes of legislation or executive direction;
  - (3) Costs of the judicial branch of a government;
  - (4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by statute or regulation. However, this does not preclude the allowability of other legal activities of the Attorney General as described in § 200.435; and
  - (5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided as a direct cost under a program statute or regulation.
- (b) Indian Tribes and Councils of Governments (COGs) (see definition for Local government in § 200.1) may include up to 50 percent of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and their staff in the indirect cost calculation without documentation.

#### **§ 200.445 Goods or services for personal use.**

- (a) Costs of goods or services for the personal use of the recipient's or subrecipient's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.
- (b) Housing costs (for example, depreciation, maintenance, utilities, furnishings, rent), housing allowances, and personal living expenses for the recipient's or subrecipient's employees are only allowable as direct costs and must be approved in advance by the Federal agency.

#### **§ 200.446 Idle facilities and idle capacity.**

(a) Definitions for the purpose of this section:

- (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 recipient or subrecipient.

(2) Idle facilities mean completely unused facilities that exceed the recipient's or subrecipient's current needs.

(3) Idle capacity means the unused capacity of partially used facilities. It is the difference between:

(i) 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

(ii) 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 maintenance, repair, housing, rent, and other related costs (for example, insurance, interest, and depreciation). These costs could include the costs of idle public safety emergency facilities, telecommunications, or information technology system capacity that is built to withstand major fluctuations in load (for example, consolidated data centers).

(b) The costs of idle facilities are unallowable except to the extent that:

(1) They are necessary to meet workload requirements which may fluctuate, and are allocated appropriately to all benefiting programs; 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 this exception, costs of idle facilities are allowable for a reasonable period, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

(c) 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. These costs are allowable, provided that the capacity is reasonably anticipated to be necessary to carry out the purpose of the Federal award 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.

#### **§ 200.447 Insurance and indemnification.**

(a) Costs of insurance required or approved and maintained by the terms and conditions of the Federal award are allowable.

(b) Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

(1) The types, extent, and cost of coverage are in accordance with the recipient's or subrecipient's established written policy and sound business practices.

(2) Costs of insurance or contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable except to the extent that the Federal agency has approved the costs.

(3) Costs allowed for business interruption or other similar insurance must exclude coverage of management fees.

(4) Insurance costs on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only when the insurance represents additional compensation (see § 200.431). This insurance is unallowable when the recipient or subrecipient is identified as the beneficiary.

(5) Insurance costs to correct defects in the recipient's or subrecipient's materials or workmanship are unallowable.

(6) Medical liability (malpractice) insurance is an allowable cost of a federal research program only when the program involves human subjects or training of participants in research techniques. Medical liability insurance costs must be treated as a direct cost and assigned to individual projects based on how the insurer allocates the risk to the population covered by the insurance.

(c) Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable unless expressly authorized in the Federal award. However, costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

(d) Contributions to a reserve for a self-insurance program, including workers' compensation, unemployment compensation, and severance pay, are allowable subject to the following requirements:

(1) The type, extent, and cost of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, a provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, must not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by considering factors such as the recipient's or subrecipient's settlement rate for those liabilities and its investment rate of return.

(2) Earnings or investment income on reserves must be credited to those reserves.

(3)

(i) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, and other relevant factors or information. Reserve levels related to employee-related coverages must normally be limited to the value of claims:

(A) Submitted and adjudicated but not paid;

(B) Submitted but not adjudicated; and

(C) Incurred but not submitted.

(ii) Reserve exceeding the levels described in paragraph (d)(3)(i) of this section must be identified and justified in the cost allocation plan or indirect cost rate proposal.

(4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to the types of insured risk and losses generated by the various insured activities or agencies of the recipient or subrecipient. If individual departments or agencies of the recipient or subrecipient experience significantly different levels of claims for a particular risk, those differences must be recognized by using separate allocations or other techniques resulting in an equitable allocation.

(5) Whenever funds are transferred from a self-insurance reserve to other accounts (for example, general fund or unrestricted account), refunds must be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with the claims collection regulations of the cognizant agency for indirect cost.

(e) Insurance refunds must be credited against insurance costs in the year the refund is received.

(f) Indemnification includes securing the recipient or subrecipient against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the recipient or subrecipient only to the extent expressly provided for in the Federal award, except as provided in paragraph (c).

#### **§ 200.448 Intellectual property.**

(a) Patent and copyright costs.

(1) The following costs related to securing patents and copyrights are allowable:

(i) Costs 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) Costs of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where the Federal Government requires that a title or a royalty-free license 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 intellectual property agreements (See § 200.459).

(2) The following costs related to securing patents and copyrights are unallowable:

(i) Costs of preparing disclosures, reports, and other documents and of searching the art to make disclosures not required by the Federal award;

(ii) 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.

(b) Royalties and other costs for the 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 Federal award are allowable unless:

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

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

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

(iv) The patent or copyright is expired.

(2) Special care should be exercised in determining reasonableness when the royalties may have been obtained as a result of less-than-arm's-length bargaining, such as:

(i) Royalties paid to persons, including corporations, affiliated with the recipient or subrecipient.

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

(iii) Royalties paid under an agreement entered into after a federal award is made to a recipient or subrecipient.

(3) In any case involving a patent or copyright formerly owned by the recipient or subrecipient, the amount of royalty allowed must not exceed the cost which would have been allowed had the recipient or subrecipient retained ownership.

#### **§ 200.449 Interest.**

(a) General. Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the recipient's or subrecipient's own funds are unallowable. Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the requirements of this section.

(b) Capital assets.

(1) Capital assets is defined in § 200.1. An asset cost includes (as applicable) acquisition costs, construction costs, and other costs capitalized in accordance with GAAP.

(2) For recipient or subrecipient fiscal years beginning on or after January 1, 2016, intangible assets include patents and computer software. For software development projects, only interest attributable to the portion of the project costs capitalized in accordance with GAAP is allowable.

(c) Requirements for all recipients and subrecipients.

(1) The recipient or subrecipient uses the capital assets in support of Federal awards;

(2) The allowable asset costs to acquire facilities and equipment are limited to a fair market value available to the recipient or subrecipient from an unrelated (arm's length) third party.

(3) The recipient or subrecipient obtains the financing via an arm's-length transaction (meaning, a transaction with an unrelated third party); or claims reimbursement of actual interest cost at a rate available via such a transaction.

(4) The recipient or subrecipient limits claims for Federal reimbursement of interest costs to the least expensive alternative. For example, a lease contract that transfers ownership by the end of the contract may be determined less costly than purchasing through other types of debt financing, in which case reimbursement must be limited to the amount of interest determined if leasing had been used.

(5) The recipient or subrecipient expenses or capitalizes allowable interest cost in accordance with GAAP.

(6) Earnings generated by the investment of borrowed funds pending their disbursement for the asset costs are used to offset the current period's allowable interest cost, whether that cost is expensed or capitalized. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable.

(7) The following conditions must apply to debt arrangements over \$1 million to purchase or construct facilities unless the recipient or subrecipient makes an initial equity contribution to the purchase of 25 percent or more. For this purpose, "initial equity contribution" means the amount or value of contributions made by the recipient or subrecipient for the acquisition of facilities prior to occupancy.

(i) The recipient or subrecipient must reduce claims for reimbursement of interest cost by an amount equal to imputed interest earnings on excess cash flow attributable to the portion of the facility used for Federal awards.

(ii) The recipient or subrecipient must impute interest on excess cash flow as follows:

(A) Annually, the recipient or subrecipient must prepare a cumulative (from the project's inception) report of monthly cash inflows and outflows, regardless of the funding source. For this purpose, inflows consist of Federal reimbursement for depreciation, amortization of capitalized construction interest, and annual interest cost. Outflows consist of initial equity contributions, debt principal payments (less the pro-rata share attributable to the cost of land), and interest payments.

(B) To compute monthly cash inflows and outflows, the recipient or subrecipient must divide the above-mentioned annual amounts by the months in the year (usually 12) that the building is in service.

(C) For any month in which cumulative cash inflows exceed cumulative outflows, interest must be calculated on the excess inflows for that month and be treated as a reduction to allowable interest cost. The interest rate to be used must be the three-month Treasury bill closing rate as of the last business day of that month.

(8) Interest attributable to a fully depreciated asset is unallowable.

(d) Additional requirements for states, local governments and Indian Tribes. For interest costs to be allowable for states, local governments, and Indian Tribes, the recipient or subrecipient must have incurred the interest costs for buildings after October 1, 1980, or after September 1, 1995, for land and equipment.

(1) The requirement to offset the interest earned on borrowed funds against allowable interest cost (paragraph (c)(5) of this section) also applies to earnings on debt service reserve funds.

(2) The recipient or subrecipient must negotiate the amount of allowable interest cost related to the acquisition of facilities with asset costs of \$1 million or more, as described in paragraph

(c)(7) of this section. For this purpose, a recipient or subrecipient must consider only cash inflows and outflows attributable to that portion of the real property used for Federal awards.

(e) Additional requirements for IHEs. For interest costs to be allowable, the IHE must have incurred the interest costs after July 1, 1982, in connection with acquisitions of capital assets that occurred after that date.

(f) Additional requirements for nonprofit organizations. For interest costs to be allowable, the nonprofit Heidelberg University must have incurred the interest costs after September 29, 1995, in connection with acquisitions of capital assets that occurred after that date.

(g) Requirements for nonprofit organizations subject to full coverage under CAS. The interest allowability provisions of this section do not apply to a nonprofit Heidelberg University subject to “full coverage” under the Cost Accounting Standards (CAS), as defined at 48 CFR 9903.201-2(a). The nonprofit Heidelberg University's Federal awards are instead subject to CAS 414 (48 CFR 9904.414), “Cost of Money as an Element of the Cost of Facilities Capital,” and CAS 417 (48 CFR 9904.417), “Cost of Money as an Element of the Cost of Capital Assets Under Construction.”

#### **§ 200.450 Lobbying.**

(a) Lobbying costs associated with obtaining Federal assistance awards. The costs of certain influencing activities associated with obtaining grants, cooperative agreements, contracts, or loans are unallowable. Lobbying with respect to certain grants, cooperative agreements, contracts, and loans is governed by relevant statutes, including the provisions of 31 U.S.C. 1352, as well as the common rule, “New Restrictions on Lobbying,” published on February 26, 1990, including definitions, and the Office of Management and Budget “Government-wide Guidance for New Restrictions on Lobbying” and notices published on December 20, 1989, June 15, 1990, January 15, 1992, and January 19, 1996.

(b) 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 federal award 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 federal award or regulatory matter on any basis other than the merit.

(c) Restrictions on nonprofit organizations and IHEs. In addition, the following restrictions apply to nonprofit organizations and IHEs:

(1) Costs associated with the following activities are unallowable:

(i) 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;

(ii) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other Heidelberg University established to influence the outcomes of elections in the United States;

(iii) Any attempt to influence:

(A) The introduction of Federal or State legislation;

(B) 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);

(C) 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

(D) Any government official or employee in connection with a decision to sign or veto enrolled legislation;

(iv) 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 paragraph (c)(1) of this section:

(i) Technical and factual presentations on topics 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's or subrecipient's member of congress, legislative body, 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 hearings;

(ii) Any lobbying made unallowable by paragraph (c)(1)(iii) of this section to influence State legislation to directly reduce the cost, or to avoid material impairment of the recipient's or subrecipient's authority to perform the grant, contract, or other agreement;

(iii) Any activity specifically authorized by statute to be undertaken with funds from the Federal award; or

(iv) Any activity excepted from the definitions of “lobbying” or “influencing legislation” by the Internal Revenue Code provisions that require nonprofit organizations to limit their participation in direct and “grass roots” lobbying activities to retain their charitable deduction status and avoid punitive excise taxes, 26 U.S.C. (I.R.C.) 501(c)(3), 501(h), 4911(a), including:

(A) Nonpartisan analysis, study, or research reports;

(B) Examinations and discussions of broad social, economic, and similar problems; and

(C) Information provided upon request by a legislator for technical advice and assistance, as defined by I.R.C. 4911(d)(2) and 26 CFR 56.4911-2(c)(1) through (c)(3).

(3) When a recipient or subrecipient seeks reimbursement for indirect costs, total lobbying costs must be identified separately in the indirect cost rate proposal and thereafter be treated as other unallowable activity costs in accordance with § 200.413.

(4) The recipient or subrecipient must submit a certification that the requirements and standards of this section have been complied with as part of its annual indirect cost rate proposal. (See § 200.415.)

(5)

(i) Time logs, calendars, or similar records are not required to be created for purposes of complying with the record-keeping requirements in § 200.302 with respect to lobbying costs during a particular calendar month when:

(A) The employee engages in lobbying (as defined in paragraphs (c)(1) and (2) of this section) for 25 percent or less of the employee's compensated hours of employment during that calendar month; and

(B) Within the preceding five-year period, the recipient or subrecipient has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs.

(ii) When conditions in paragraph (c)(5)(i)(A) and (B) of this section are met, recipients and subrecipients are not required to establish records to support the allowability of claimed costs in addition to records already required or maintained. Also, when conditions in paragraphs (c)(5)(i)(A) and (B) of this section 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.

(iii) In consultation with OMB, the Federal agency must establish procedures for resolving, in advance, any significant questions or disagreements concerning the interpretation or application of this section. Any such advance resolutions must be binding in any subsequent settlements, audits, or investigations with respect to that grant or contract for purposes of

interpretation of this part, provided, however, that this must not be construed to prevent a contractor or recipient or subrecipient from contesting the lawfulness of such a determination.

#### **§ 200.451 Losses on other awards or contracts.**

Any excess costs over income under any other award or contract of any nature is unallowable. This includes, but is not limited to, the recipient's or subrecipient's contributed portion by reason of cost sharing agreements or any under-recoveries through negotiation of flat amounts for indirect costs. Also, any excess of costs over authorized funding levels transferred from any award or contract to another is unallowable. All losses are not allowable indirect costs and must be included in the appropriate indirect cost rate base for allocating indirect costs.

#### **§ 200.452 Maintenance and repair costs.**

Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, 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 that add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital expenditures (see § 200.439). These costs are only allowable to the extent not paid through rental or other agreements.

#### **§ 200.453 Materials and supplies costs, including costs of computing devices.**

(a) Costs incurred for materials, supplies, and fabricated parts necessary for the performance of a federal award are allowable.

(b) Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms must be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are an allowable part of materials and supplies costs.

(c) Materials and supplies used for the performance of a federal award may be charged as direct costs. Charging computing devices as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a federal award.

(d) Where Federally-donated or furnished materials are used in performing the Federal award, the materials will be used without charge.

#### **§ 200.454 Memberships, subscriptions, and professional activity costs.**

(a) Costs of the recipient's or subrecipient's membership in business, technical, and professional organizations are allowable.

(b) Costs of the recipient's or subrecipient's subscriptions to business, professional, and technical periodicals are allowable.

(c) Costs of membership in any civic or community Heidelberg University are allowable.

(d) Costs of membership in any country club or social or dining club or Heidelberg University are unallowable.

(e) Costs of membership in organizations whose primary purpose is lobbying are unallowable. See § 200.450.

#### **§ 200.455 Heidelberg University costs.**

(a) Costs such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of the recipient or subrecipient in connection with the establishment or reorganization of an organization, are unallowable except with prior approval of the Federal agency.

(b) The costs of any of the following activities are unallowable: activities undertaken to persuade employees of the recipient or subrecipient, or any other entity, to exercise or not to exercise, or concerning the manner of exercising, the right to organize and bargain collectively through representatives of the employees' own choosing.

(c) The costs related to data and evaluation are allowable. Data costs include (but are not limited to) the expenditures needed to gather, store, track, manage, analyze, disaggregate, secure, share, publish, or otherwise use data to administer or improve the program, such as data systems, personnel, data dashboards, cybersecurity, and related items. Data costs may also include direct or indirect costs associated with building integrated data systems—data systems that link individual-level data from multiple State and local government agencies for purposes of management, research, and evaluation. Evaluation costs include (but are not limited to) evidence reviews, evaluation planning and feasibility assessment, conducting evaluations, sharing evaluation results, and other personnel or materials costs related to the effective building and use of evidence and evaluation for program design, administration, or improvement.

#### **§ 200.456 Participant support costs.**

Participant support costs are allowable (see § 200.1). The classification of items as participant support costs must be documented in the recipient's or subrecipient's written policies and procedures and treated consistently across all Federal awards.

#### **§ 200.457 Plant and security costs.**

Necessary and reasonable expenses incurred for the protection and security of 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; protective (non-military) gear, devices, and equipment; contractual security services; and consultants. Capital expenditures for plant security purposes are subject to § 200.439.

#### **§ 200.458 Pre-award costs.**

Pre-award costs are those incurred before the start date of the Federal award or subaward directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work. These costs are allowable only to the extent that they would have been allowed if incurred after the start date of the Federal award and only with the written approval of the Federal agency. If approved, these costs must be charged to the initial budget period of the Federal award unless otherwise specified by the Federal agency or pass-through entity.

#### **§ 200.459 Professional service costs.**

(a) 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 recipient or subrecipient are allowable, subject to paragraphs (b) and (c) of this section 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 § 200.435.

(b) In determining the allowability of costs in a particular case, no single factor or any 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 recipient's or subrecipient's capability in the particular area.
- (3) The past pattern of such costs, particularly in the years prior to receiving a federal award(s).
- (4) The impact of Federal awards on the recipient's or subrecipient's business (meaning, what new problems have arisen).
- (5) Whether the proportion of Federal work to the recipient's or subrecipient's total business influences the recipient or subrecipient 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 awards.

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

(7) The qualifications of the individual or entity providing the service and the customary fees charged, especially on non-federally funded activities.

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

(c) To be allowable, retainer fees must be supported by evidence of bona fide services available or rendered in addition to the factors in paragraph (b) of this section.

#### **§ 200.460 Proposal costs.**

Proposal costs are the costs of preparing bids, proposals, or applications on potential Federal and non-Federal awards or projects, including developing data necessary to support the recipient's or subrecipient's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect costs and allocated to all current activities of the recipient or subrecipient. No proposal costs of past accounting periods may be allocated to the current period.

#### **§ 200.461 Publication and printing costs.**

(a) Publication costs for electronic and print media, including distribution, promotion, and general handling, are allowable. These costs should be allocated as indirect costs to all benefiting activities of the recipient or subrecipient if they are not identifiable with a particular cost objective.

(b) Page charges, article processing charges (APCs), or similar fees such as open access fees for professional journal publications and other peer-reviewed publications resulting from a federal award are allowable where:

(1) The publications report work supported by the Federal Government; and

(2) The charges are levied impartially on all items published by the journal, whether or not under a federal award.

(3) The recipient or subrecipient may charge the Federal award during closeout for the costs of publication or sharing of research results if the costs were not incurred during the period of performance of the Federal award. These costs must be charged to the final budget period of the award unless otherwise specified by the Federal agency.

#### **§ 200.462 Rearrangement and reconversion costs.**

(a) Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable as indirect costs. Special arrangements and alterations are allowable as a direct cost if the costs are incurred specifically for a federal award and with the prior approval of the Federal agency or pass-through entity.

(b) Costs incurred in restoring or rehabilitating the recipient's or subrecipient's facilities to approximately the same condition existing immediately before the commencement of a federal award(s), less costs related to normal wear and tear, are allowable.

#### **§ 200.463 Recruiting costs.**

(a) Subject to paragraphs (b) and (c) of this section, 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 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 the recipient's or subrecipient's standard recruitment program. When the recipient or subrecipient uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.

(b) Special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel that do not meet the test of reasonableness or do not conform with the established practices of the recipient or subrecipient, are unallowable.

(c) If relocation costs incurred incident to recruitment of a new employee have been funded in whole or in part by a federal award, and the newly hired employee resigns for reasons within the employee's control within 12 months after hire, the recipient or subrecipient must refund or credit the Federal Government for its share of those relocation costs. See § 200.464.

(d) Short-term visas (as opposed to longer-term immigration visas) are generally an allowable cost and they may be proposed as a direct cost because they are issued for a specific period and purpose and can be clearly identified as directly connected to work performed on a federal award. For these costs to be directly charged to a federal award, they must:

- (1) Be critical and necessary for the conduct of the project;
- (2) Be allowable under the applicable cost principles;
- (3) Be consistent with the recipient's or subrecipient's cost accounting practices and established written policy; and
- (4) Meet the definition of “direct cost” as described in the applicable cost principles.

## **§ 200.464 Relocation costs of employees.**

(a) Relocation costs are costs incident to the permanent change of duty assignment (for an indefinite period or 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 limitations described in paragraphs (b), (c), and (d) of this section, 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.

(b) Allowable relocation costs for current employees are limited to the following:

- (1) The costs of transportation of the employee, members of their immediate family and their 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 a maximum period of 30 calendar days.
- (3) Closing costs, such as brokerage, legal, and appraisal fees, incidental to the disposition of the employee's former home. These costs, together with those described in paragraph (b)(4) of this section, are limited to eight percent of the sales price of the employee's former home.
- (4) The continuing costs of ownership (for up to six months) 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 canceling an unexpired lease, transportation of personal property, 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.

(c) Allowable relocation costs for new employees are limited to those described in paragraphs (b)(1) and (2) of this section. If relocation costs incurred incident to the recruitment of a new employee have been funded in whole or in part by a federal award, and the newly hired employee resigns for reasons within the employee's control within 12 months after hire, the recipient or subrecipient must refund or credit the Federal Government for its share of the cost. If a new employee is relocating to an overseas location and dependents are not permitted for any reason, and the costs do not include transporting household goods, the costs must be considered travel costs in accordance with § 200.474, not relocation costs under this section.

(d) 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.

**§ 200.465 Rental costs of real property and equipment.**

(a) Subject to the limitations described in paragraphs (b) through (d) of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as costs of comparable rental properties; 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 if other options are available.

(b) Rental costs under “sale and lease back” arrangements are allowable only up to the amount that would have been allowed if the recipient or subrecipient had continued to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

(c) Rental costs under “less-than-arm's-length” leases are allowable only up to the amount described in paragraph (b) of this section. For this purpose, a less-than-arm's-length lease is one under which one party to the lease agreement can control or substantially influence the actions of the other. Such leases include, but are not limited to, those between:

- (1) Divisions of the recipient or subrecipient;
- (2) The recipient or subrecipient and another entity under common control through common officers, directors, or members; and
- (3) The recipient or subrecipient and a director, trustee, officer, or key employee of the recipient or subrecipient or an immediate family member, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, the recipient or subrecipient may establish a separate corporation to own property and lease it back to the recipient or subrecipient.
- (4) Family members include one party with any of the following relationships to another party:
  - (i) Spouse and parents thereof;
  - (ii) Children and spouses thereof;

(iii) Parents and spouses thereof;

(iv) Siblings and spouses thereof;

(v) Grandparents and grandchildren and spouses thereof;

(vi) Domestic partner and parents thereof, including domestic partners of any individual in 2 through 5 of this definition; and

(vii) Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

(d) Rental costs under leases which are required to be accounted for as a financed purchase under GASB standards or a finance lease under FASB standards are allowable only up to the amount (described in paragraph (b) of this section) that would have been allowed if the recipient or subrecipient had purchased the property on the date the lease agreement was executed. Interest costs related to these leases are allowable if they meet the criteria in § 200.449. Unallowable costs include costs that would not have been incurred if the recipient or subrecipient had purchased the property, such as amounts paid for profit, management fees, and taxes.

(e) Rental or lease payments are allowable under lease contracts where the recipient or subrecipient is required to recognize an intangible right-to-use lease asset under GASB standards or right-of-use operating lease asset under FASB standards for purposes of financial reporting in accordance with GAAP.

(f) The rental of any property owned by any individuals or entities affiliated with the recipient or subrecipient, including commercial or residential real estate, for purposes such as the home office is unallowable.

#### **§ 200.466 Scholarships, student aid costs, and tuition remission.**

(a) Costs of scholarships, fellowships, and student aid programs at IHEs are allowable only when the purpose of the Federal award is to provide training to participants, and the Federal agency approves the cost.

(b) Tuition remission and other forms of compensation paid as, or instead of, wages to students performing necessary work are allowable provided that:

(1) The individual is conducting activities necessary to the Federal award;

(2) Tuition remission and other support are provided in accordance with the established written policy of the IHE and consistently provided in a like manner to students in return for similar activities conducted under Federal awards as well as other activities; and

(3) The student is enrolled in an advanced degree program at the IHE or an affiliated institution during the academic period and the student's activities under the Federal award are related to their degree program;

(4) The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and

(5) The IHE compensates students under Federal awards as well as other activities in similar manners.

(c) Charges for tuition remission and other forms of compensation paid to students as, or instead of, salaries and wages are subject to the reporting requirements in § 200.430. The charges must be treated as a direct or indirect cost in accordance with the actual work performed. Tuition remission may be charged on an average rate basis. See § 200.431.

#### **§ 200.467 Selling and marketing costs.**

Costs of selling and marketing any products or services of the recipient or subrecipient are unallowable unless they are allowed under § 200.421 and are necessary to meet the requirements of the Federal award.

#### **§ 200.468 Specialized service facilities.**

(a) The costs of services provided by highly complex or specialized facilities operated by the recipient or subrecipient are allowable provided the charges for the services meet the conditions of either paragraph (b) or (c) of this section and take into account any items of income or Federal financing that qualify as applicable credits under § 200.406. These costs include charges for facilities such as computing facilities, wind tunnels, and reactors.

(b) The costs of such services, when material, must be charged directly to the applicable Federal awards based on actual usage of the services on the basis of a schedule of rates or established methodology that:

(1) Does not discriminate between activities under Federal awards and other activities of the recipient or subrecipient, including usage by the recipient or subrecipient for internal purposes; and

(2) Is designed to recover only the aggregate costs of the services. Each service's costs must normally consist of its direct costs and an allocable share of all indirect costs. Rates must be adjusted at least biennially and must consider any over or under-applied costs of the previous period(s).

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

(d) Under extraordinary circumstances, the cognizant agency for indirect costs and the recipient or subrecipient may negotiate and establish an alternative costing arrangement if it is in the Federal Government's best interest.

**§ 200.469 Student activity costs.**

Costs incurred for intramural activities, student publications, student clubs, and other student activities are unallowable unless expressly authorized in the Federal award.

**§ 200.470 Taxes (including Value Added Tax).**

(a) For States, local governments, and Indian Tribes.

(1) Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs.

(2) Gasoline taxes, motor vehicle fees, and other taxes that are, in effect, user fees for benefits provided to the Federal Government are allowable.

(3) This provision does not restrict the authority of the Federal agency to identify taxes where Federal participation is inappropriate. The cognizant agency for indirect costs may accept a reasonable approximation in circumstances where determining the amount of unallowable taxes would require an excessive amount of effort.

(b) For nonprofit organizations and IHEs.

(1) Taxes that the recipient or subrecipient is required to pay and which are paid or accrued in accordance with GAAP are generally allowable. These costs include payments made to local governments instead of taxes and that are commensurate with the local government services received. The following taxes are unallowable:

(i) Taxes for which exemptions are available to the recipient or subrecipient directly or which are available to the recipient or subrecipient based on an exemption afforded the Federal Government and, in the latter case, when the Federal 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 interest thereon, which were allowed as Federal award costs, must be credited to the Federal Government as a cost reduction or cash refund, as appropriate. However, any interest paid or credited to a recipient or subrecipient incident to a refund of tax, interest, and penalty will be paid or credited to the Federal Government only to the extent that

such interest accrued over the period during which the Federal Government has reimbursed the recipient or subrecipient for the taxes, interest, and penalties.

(c) Value Added Tax (VAT). Foreign taxes charged for procurement transactions that a recipient or subrecipient is legally required to pay in a country are allowable. Foreign tax refunds or applicable credits under Federal awards refer to receipts or reduction of expenditures, which operate to offset or reduce expense items that are allocable to Federal awards as direct or indirect costs. To the extent that such credits accrued or received by the recipient or subrecipient relate to allowable cost, these costs must be credited to the Federal agency as a cost reduction or cash refunds, as appropriate. In cases where the costs are credited back to the Federal award, the recipient or subrecipient may reduce the Federal share of costs by the amount of the foreign tax reimbursement, or where Federal award has not expired, the Federal agency may allow the recipient or subrecipient to use the foreign government tax refund for approved activities under the Federal award.

#### **§ 200.471 Telecommunication and video surveillance costs.**

(a) Costs incurred for telecommunications and video surveillance services or equipment such as phones, internet, video surveillance, and cloud servers are allowable except for the following circumstances:

(b) Obligating or expending covered telecommunications and video surveillance services or equipment or services as described in § 200.216 to:

- (1) Procure or obtain, extend or renew a contract to procure or obtain;
- (2) Enter into a contract (or extend or renew a contract) to procure; or
- (3) Obtain the equipment, services, or systems.

#### **§ 200.472 Termination and standard closeout costs.**

(a) Termination Costs. Termination of a Federal award 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 in this section. They must be used in conjunction with the other termination requirements of this part.

(1) The cost of items reasonably usable on the recipient's or subrecipient's other work is unallowable unless the recipient or subrecipient submits evidence that it would not retain such items without sustaining a loss. In deciding whether such items are reasonably usable on other work of the recipient or subrecipient, the Federal agency or pass-through entity should consider the recipient's or subrecipient's plans and orders for current and scheduled activity. Contemporaneous purchases of common items by the recipient or subrecipient must be considered evidence that the items are reasonably usable on the recipient's or subrecipient's other work. Any acceptance of common items as allocable to the terminated portion of the

Federal award must be limited to the extent that the quantities of such items on hand, in transit, and on order do not exceed the reasonable quantitative requirements of other work.

(2) If the recipient or subrecipient cannot discontinue certain costs immediately after the effective termination date, despite making all reasonable efforts, then the costs are generally allowable within the limitations of this part. Any costs continuing after termination due to the negligent or willful failure of the recipient or subrecipient to immediately discontinue the costs are unallowable.

(3) Loss of useful value of special tooling, machinery, and equipment is generally allowable if:

(i) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the recipient or subrecipient;

(ii) The interest of the Federal Government is protected by transfer of title or by other means deemed appropriate by the Federal agency (see § 200.313 (d)); and

(iii) The loss of useful value for any one terminated Federal award is limited to the 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, machinery, or equipment was acquired.

(4) If paragraph (a)(4)(i) and (ii) below are satisfied, rental costs under unexpired leases (less the residual value of such leases) are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated Federal award. These rental costs may include the cost of alterations of the leased property and the cost of reasonable restoration required by the lease, provided the alterations were necessary for the performance of the Federal award.

(i) The amount of claimed rental costs does not exceed the reasonable use value of the property leased for the period of the Federal award and a further period as may be reasonable; and

(ii) The recipient or subrecipient makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of the lease.

(5) The following settlement expenses are generally allowable.

(i) Accounting, legal, clerical, and similar costs that are reasonably necessary for:

(A) The preparation and presentation to the Federal agency or pass-through entity of settlement claims and supporting data with respect to the terminated portion of the Federal award, unless the termination is for cause (see §§ 200.339-200.343); and

(B) The termination and settlement of subawards.

(ii) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal Government or acquired or produced for the Federal award.

(6) Claims under subawards, including the allocable portion of claims common to the Federal award and other work of the recipient or subrecipient, are generally allowable. An appropriate share of the recipient's or subrecipient's indirect costs may be allocated to the amount of settlements with contractors and subrecipients, provided that the amount allocated is consistent with the requirements of § 200.414. These allocated indirect costs must exclude the same and similar costs claimed directly or indirectly as settlement expenses.

(b) Closeout Costs. Administrative costs associated with the closeout activities of a federal award are allowable. The recipient or subrecipient may charge the Federal award during the closeout for the necessary administrative costs of that Federal award (for example, salaries of personnel preparing final reports, publication and printing costs, costs associated with the disposition of equipment and property, and related indirect costs). These costs may be incurred until the due date of the final report(s). If incurred, these costs must be liquidated prior to the due date of the final report(s) and charged to the final budget period of the award unless otherwise specified by the Federal agency.

#### **§ 200.473 Training and education costs.**

The cost of training and education provided for employee development is allowable.

#### **§ 200.474 Transportation costs.**

Costs incurred for freight, express, cartage, postage, and other transportation services relating to goods purchased, in process, or delivered, are allowable. When the costs can be readily identified with the items involved, they may be charged directly as transportation costs or added to the cost of such items. When identification with the materials received cannot be readily made, the inbound transportation cost may be charged to the appropriate indirect cost accounts if the recipient or subrecipient follows a consistent, equitable procedure in this respect. If reimbursable under the terms and conditions of the Federal award, outbound freight should be treated as a direct cost.

#### **§ 200.475 Travel costs.**

(a) General. Travel costs include the transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the recipient or subrecipient. These costs may be charged on an actual cost basis, on a per diem or mileage basis, 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. The method used must be consistent with those normally allowed in like circumstances in the recipient's or subrecipient's other activities and in accordance with the recipient's or subrecipient's established written policies. Notwithstanding the provisions of § 200.444, travel costs of officials covered by that section are allowable with

the prior written approval of the Federal agency or pass-through entity when they are specifically related to the Federal award.

(b) Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the recipient or subrecipient in its regular operations as the result of the recipient's or subrecipient's established written policy. In addition, if these costs are charged directly to the Federal award documentation must justify that:

(1) Participation of the individual is necessary for the Federal award; and

(2) The costs are reasonable and consistent with the recipient's or subrecipient's established written policy.

(c) Dependents.

(1) Temporary dependent care costs (dependent is defined in 26 U.S.C. 152) above and beyond regular dependent care are allowable provided that these costs:

(i) Are a direct result of the individual's travel to a conference for the Federal award;

(ii) Are consistent with the recipient's or subrecipient's established written policy for all travel; and

(iii) Are only temporary during the travel period.

(2) Travel costs for dependents are unallowable, except for travel of six months or more with prior approval of the Federal agency. See § 200.432.

(d) Establishing rates and amounts. In the absence of an established written policy regarding travel costs, the rates and amounts established under 5 U.S.C. 5701-11 ("Travel and Subsistence Expenses; Mileage Allowances"), by the Administrator of General Services, or by the President (or their designee) pursuant to any provisions of such subchapter must apply to travel under Federal awards (48 CFR 31.205-46(a)).

(e) Commercial air travel.

(1) Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

(i) Require circuitous routing;

(ii) Require travel during unreasonable hours;

(iii) Excessively prolong travel;

(iv) Result in additional costs that would offset the transportation savings; or

(v) Offer accommodations not reasonably adequate for the traveler's medical needs. The recipient or subrecipient must justify and document these conditions on a case-by-case basis for the use of first-class or business-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal Government will generally not question a recipient's or subrecipient's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the recipient or subrecipient can demonstrate that such airfare was not available in the specific case.

(f) Air travel by other than commercial carrier. Travel costs by recipient or subrecipient-owned, -leased, or -chartered aircraft include the cost of the lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of these costs that exceeds the cost of airfare, as provided for in paragraph (d), is unallowable.

#### **§ 200.476 Trustees.**

Travel and subsistence costs of trustees (or directors) at IHEs and nonprofit organizations are allowable. See § 200.475.

View the electronic version of the Selected Principles of Cost online at

<https://ecfr.federalregister.gov/current/title-2/subtitle-A/chapter-II/part-200#subject-group-ECFRed1f39f9b3d4e72>

▪ **APPENDIX I: PRIOR WRITTEN APPROVAL**

2 CFR Part 200 Section § 200.407, titled *Prior written approval (prior approval)*, provides additional guidance on items of cost that may require the prior approval of the federal agency to be allowable costs.

The reasonableness and allocability of certain costs under federal awards may be difficult to determine. To avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the recipient may seek the prior written approval of the federal agency (or, for indirect costs, the cognizant agency for indirect costs) before incurring the cost. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that cost unless prior approval is specifically required for allowability as described under certain circumstances in the following sections:

- (a) Section 200.306 Cost sharing;
- (b) Section 200.307 Program income;
- (c) Section 200.308 Revision of budget and program plans;
- (d) Section 200.333 Fixed amount subawards;
- (e) Section 200.430 Compensation—personal services, paragraph (h);
- (f) Section 200.431 Compensation—fringe benefits;
- (g) Section 200.439 Equipment and other capital expenditures;
- (h) Section 200.440 Exchange rates;
- (i) Section 200.441 Fines, penalties, damages and other settlements;
- (j) Section 200.442 Fund raising and investment management costs;
- (k) Section 200.445 Goods or services for personal use;
- (l) Section 200.447 Insurance and indemnification;
- (m) Section 200.455 Heidelberg University costs;
- (n) Section 200.458 Pre-award costs;
- (o) Section 200.462 Rearrangement and reconversion costs;
- (p) Section 200.475 Travel costs.

There also may be additional approval requirements in the following sections:

- § 200.201 Use of grants, cooperative agreements, fixed amount awards, and contracts, paragraph (b)(6);
- § 200.311 Real property;
- § 200.313 Equipment;
- § 200.413 Direct costs, paragraph (c);
- § 200.438 Entertainment and prizes;
- § 200.454 Memberships, subscriptions, and professional activity costs, paragraph (c);
- § 200.456 Participant support costs;
- § 200.467 Selling and marketing costs;
- § 200.470 Taxes (including Value Added Tax)

▪ **APPENDIX J: EXAMPLE: SF-270 REQUEST FOR ADVANCE OR REIMBURSEMENT**

[Replace with an example of your Heidelberg University's form or process if different.]

**Form SF-270 Request for Advance or Reimbursement**

OMB Number: 4040-0012  
Expiration Date: 01/31/2025

<b>REQUEST FOR ADVANCE OR REIMBURSEMENT</b>	1. TYPE OF PAYMENT REQUESTED	a. "X" one or both boxes <b>ADVANCE</b> <input checked="" type="checkbox"/> <b>REIMBURSEMENT</b> <input checked="" type="checkbox"/> <b>ACCRUAL</b> <input type="checkbox"/> b. "X" the applicable box <b>FINAL</b> <input checked="" type="checkbox"/> <b>PARTIAL</b> <input type="checkbox"/>	2. BASIS OF REQUEST <input type="checkbox"/> <input type="checkbox"/>
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED <input style="width: 100%;" type="text"/>		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY <input style="width: 100%;" type="text"/>	
5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST <input style="width: 100%;" type="text"/>	6. EMPLOYER IDENTIFICATION NUMBER <input style="width: 100%;" type="text"/>	7. FINANCIAL ASSISTANCE IDENTIFICATION NUMBER <input style="width: 100%;" type="text"/>	
8. <b>PERIOD COVERED BY THIS REQUEST</b> From: <input type="text"/> To: <input type="text"/>			
9. <b>RECIPIENT ORGANIZATION</b> Name: <input style="width: 100%;" type="text"/> Street1: <input style="width: 100%;" type="text"/> Street2: <input style="width: 100%;" type="text"/> City: <input style="width: 100%;" type="text"/> County: <input style="width: 100%;" type="text"/> State: <input style="width: 100%;" type="text"/> Province: <input style="width: 100%;" type="text"/> Country: <input style="width: 100%;" type="text"/> ZIP / Postal Code: <input style="width: 100%;" type="text"/>			
10. <b>PAYEE (Where check is to be sent if different than item 9)</b> Name: <input style="width: 100%;" type="text"/> Street1: <input style="width: 100%;" type="text"/> Street2: <input style="width: 100%;" type="text"/> City: <input style="width: 100%;" type="text"/> County: <input style="width: 100%;" type="text"/> State: <input style="width: 100%;" type="text"/> Province: <input style="width: 100%;" type="text"/> Country: <input style="width: 100%;" type="text"/> ZIP / Postal Code: <input style="width: 100%;" type="text"/>			

**11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED**

PROGRAMS/FUNCTIONS/ (a) (b) ACTIVITIES			(c)	
<b>TOTAL</b>				
<i>(As of date)</i>				
a. Total program outlays to date	\$\$\$			
b. Less: Cumulative program income				
c. Net program outlays (Line a minus line b)				
d. Estimated net cash outlays for advance period				
e. Total (Sum of lines c & d)				
f. Non-Federal share of amount on line e				
g. Federal share of amount on line e				
h. Federal payments previously requested				
i. Federal share now requested (Line g minus line h)				
j. Advances required by month, when 1st month requested by Federal grantor agency for 2nd month use in making prescheduled 3rd month advances				

**12. ALTERNATE COMPUTATION FOR ADVANCES ONLY**

a. Estimated Federal cash outlays that will be made during period covered by the advance	\$	
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period		
c. Amount requested (Line a minus line b)	\$	

**13. CERTIFICATION**

I certify that to the best of my knowledge and belief the data on the reverse are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.

SIGNATURE OR AUTHORIZED CERTIFYING OFFICIAL DATE REQUEST SUBMITTED

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TYPED OR PRINTED NAME AND TITLE

Prefix: First Name:  Middle Name:

Last Name:  Suffix:

Title:

TELEPHONE (AREA CODE, NUMBER, EXTENSION)

This space for agency use

Public reporting burden for this collection of information is estimated to average 60 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0004), Washington, DC 20503.

**PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.**

- **APPENDIX K: SAMPLE PROPERTY RECORDS TRACKING FORM**

[Replace with an example of your Heidelberg University’s form or process.]

**Property Tracking Form**

<b>Asset Number</b>	
<b>Ownership (Feds or Grantee)</b>	
<b>Original Award Number</b>	
<b>Follow-on Award Number (If applicable)</b>	
<b>Description</b>	
<b>Source/Vendor</b>	
<b>Financial Transaction Number (if available)</b>	
<b>ID#</b>	
<b>Date Acquired</b>	
<b>Cost per Unit</b>	
<b>% of Federal Ownership</b>	
<b>Last Reported Location</b>	
<b>Last Reported Condition</b>	
<b>Last Reported Use</b>	
<b>Date of the Last Report</b>	
<b>Disposed of (Y/N)</b>	
<b>If Y, Date of Disposal</b>	
<b>Disposal Sales Price</b>	

▪ **APPENDIX L: SAMPLE COST ALLOCATION MATRIX**

[Replace with an example of your Heidelberg University’s form or process.]

**Sample Facilities Allocation**

**Sample Facilities Allocation**

<b>Building #1</b>	<b>Sq. Footage Use</b>	
Indirect Departments	25,000	Sq. Ft.
Program #1	50,000	Sq. Ft.
Program #2	15,000	Sq. Ft.
<b>Total Use</b>	<b>90,000</b>	<b>Sq. Ft.</b>

<b>Common space</b> (Such as hallways, restrooms, break rooms)		
	10,000	Sq. Ft.
<b>Total Building Sq. Footage</b>	<b>100,000</b>	<b>Sq. Ft.</b>

<b>Allocation of Common Space</b>			<b>Total Space</b>	
28%	2,778	Sq. Ft.	27,778	Sq. Ft.
56%	5,556	Sq. Ft.	55,556	Sq. Ft.
17%	1,667	Sq. Ft.	16,667	Sq. Ft.
<b>100%</b>	<b>10,000</b>	<b>Sq. Ft.</b>	<b>100,000</b>	<b>Sq. Ft.</b>

<b>Building Costs</b>	
Lease	\$ 90,000
Utilities, Security, Maintenance	\$ 10,000
<b>Total Building Costs</b>	<b>\$ 100,000</b>

<b>Allocation of Costs</b>		
Indirect Departments	28%	\$ 27,778
Program #1	56%	\$ 55,556
Program #2	17%	\$ 16,667
<b>Total Costs</b>		<b>\$ 100,000</b>

## Sample Fringe Benefits Allocation

[Replace with an example of your Heidelberg University's form or process.]

### Sample Fringe Allocation

#### Salaries (Not including PTO)

Indirect Departments	\$ 250,000
Program #1	\$ 1,000,000
Program #2	\$ 750,000
<b>Total Salaries (Not including PTO)</b>	<b>\$ 2,000,000</b>

#### Fringe Costs

Employers Share of Payroll taxes	\$ 153,000
Employers Share of Health Insurance	\$ 360,000
Employers Share Other Benefits	\$ 120,000
Paid Time Off Benefits (Accrual)	\$ 200,000
Plan Administration Costs	\$ 7,000
<b>Total Fringe Costs</b>	<b>\$ 840,000</b>

#### Fringe Rate per \$ Salary (without PTO)

42%
-----

#### Allocation of Fringe Costs

Indirect Departments	\$ 105,000
Program #1	\$ 420,000
Program #2	\$ 315,000
<b>Total Fringe Costs</b>	<b>\$ 840,000</b>

## Sample Indirect Cost Allocation

[Replace with an example of your Heidelberg University's form or process.]

### Sample Indirect Cost Allocation

<b>Direct Costs</b>	<b>Program #1</b>	<b>Program #2</b>	<b>Total Costs</b>	
Salaries	\$ 1,000,000	\$ 750,000	\$ 1,750,000	(4)
Fringe Benefits	\$ 420,000	\$ 315,000	\$ 735,000	
Equipment	\$ 200,000	\$ -	\$ 200,000	
Subawards (1 subaward for \$100K)	\$ -	\$ 100,000	\$ 100,000	
Supplies	\$ 10,000	\$ 5,000	\$ 15,000	
Facilities	\$ 55,556	\$ 16,667	\$ 72,222	
Other (including subcontracts)	\$ 50,000	\$ 10,000	\$ 60,000	

only include the  
first \$50K of  
subawards in  
MTDC

Notes:

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<b>Total Direct Expenses</b>	<b>\$ 1,735,556</b>	<b>\$ 1,196,667</b>	<b>\$ 2,932,222</b>	<b>(2)</b>
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<b>Modified Total Direct Costs</b>	<b>Program #1</b>	<b>Program #2</b>	<b>Total MTDC Costs</b>
Salaries	\$ 1,000,000	\$ 750,000	\$ 1,750,000
Fringe Benefits	\$ 420,000	\$ 315,000	\$ 735,000
<i>Equipment (Don't include Equipment)</i>	\$ -	\$ -	\$ -
<i>Subaward (only first \$50K)</i>	\$ -	\$ 50,000	\$ 50,000
Supplies	\$ 10,000	\$ 5,000	\$ 15,000
Facilities	\$ 55,556	\$ 16,667	\$ 72,222
<i>Other (including subcontracts)</i>	\$ 45,000	\$ 10,000	\$ 55,000

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<b>Total Modified Total Direct Costs (MTDC)</b>	<b>\$ 1,530,556</b>	<b>\$ 1,146,667</b>	<b>\$ 2,677,222</b>	<b>(3)</b>
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Note: See the Terms and Conditions of the Award and Uniform Guidance for specifics of MTDC exclusions.

<b>Indirect Costs</b>	
Salaries	\$ 250,000
Fringe Benefits	\$ 105,000
Supplies	\$ 30,000
Facilities	\$ 27,778

Other Costs	\$ 50,000	
<b>Total Indirect Costs</b>	<b>\$ 462,778</b>	(1)

**If your Indirect Cost Rate is based on Total Direct Costs, your rate would be:**

per \$1 of direct spending  (1)/(2)

**If your Indirect Cost Rate is based on MTDC, your rate would be:**

per \$1 of MTDC  (1)/3)

**If your Indirect Cost Rate is based on Direct Salaries (without Fringe Benefits), your rate would be:**

per \$1 of Direct Salaries  (1)/4)

The total indirect costs remain constant; the rate changes because of the distribution base is different. Your Negotiated Indirect Cost Rate Agreement (NICRA) will specify what base you use. If you elect the De Minimis allocation method, the rate is up to 15% of MTDC.

▪ **APPENDIX M: SAMPLE RECORD RETENTION MATRIX**

Heidelberg University’s Record Retention Policy can be found on Inside under the Business Office

**Record Retention Matrix**

Type of Records	Minimum Requirement
<b>Financial Records</b>	
Many of these records and reports are contained in our accounting software	
Accounts payable	
Audit reports Life of company	
Bank Reconciliations	
Banking institution statements (includes investments)	
Canceled checks	
Canceled checks for important payments (tax pmts/equipment purchases/other	
important payments and purchases)	
Chart of accounts	
Depreciation schedules	
Duplicate deposit slips	
Invoices from vendors	
Ledgers	
Loan documents	
Year-end financial statements (located in board minutes & in the accounting system	
Correspondence	
Member records	
Surveys/e-mail response to follow up	
Status reports	
<b>Employment Records</b>	

Type of Records	Minimum Requirement
Timesheets	
Withholding tax statements	
Retirement and pension documents	
Payroll records and summaries	
Personnel files (terminated employees)	
Employment applications	
<b>General Business Records</b>	
Contracts (still in effect)	
Correspondence w customers & vendors (general; includes email)	
Deeds, mortgages, real estate leases, property appraisals, property records	
Contracts, leases (equipment, phones, etc.)	
Insurance Policies (expired)	
Insurance records, current accident reports, claims	
Inventories of products, materials, and supplies	
Investment trade confirmations	
Minutes, bylaws, charter, corporate documents	
Purchase orders and order receipts	
Tax returns and worksheets	
Trademark registrations and copyrights	
<b>Award Documents</b>	
Notice of Funding Opportunity	
Award application	
Notice of award	
Subaward agreements	

Type of Records	Minimum Requirement
Risk assessment of subrecipients	
Program Budgets	
Modifications/Revisions of awards	
Suspension and debarment compliance review	
Performance reporting	
Prior approval forms	
Sole source justification forms	
Sole source approval from the federal awarding agency	
Indirect cost rate proposals-not submitted	
Indirect cost rate proposals submitted	
Approved indirect cost rate letter	
Other program reporting	
Property Inventory Records	

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