

Attachment (2)

Federal Allowable Costs

Allowable Cost Principles

Allowable costs are specified under the Office of Management and Budget (OMB) regulations at 2 CFR part 225 (OMB Circular A-87), 2 CFR 220 (OMB Circular A-21), 2 CFR 215 (OMB Circular A-110) and 2 CFR 230 (OMB Circular A-122), Departmental rules at 7 CFR 3016 and the Supplemental Nutrition Assistance Program (SNAP) rules at 7 CFR 277. To be allowable, all costs charged to Food and Nutrition Service (FNS) shall be **V A L I D O B L I G A T I O N S** of the State, local government or sub-grantee and shall be **N E C E S S A R Y A N D R E A S O N A B L E** as charges under an approved SNAP E&T plan. Charges to the Employment and Training (E&T) program must be **C O N S I S T E N T** with charges to other Federal and State grants, awards and activities.

Getting Started

Different OMB circulars lay the ground work for the cost policies of specific entities. For the purposes of the E&T program, there are four sets of significant OMB circulars and Federal regulations that E&T coordinators should be familiar with:

OMB Circular A-21, Cost Principles for Educational Institutions (05/10/2004) HTML or PDF (109 pages, 263 kb), Relocated to 2 CFR, Part 220 (30 pages, 384 kb)

OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (05/10/2004) HTML or PDF (57 pages, 199 kb), Relocated to 2 CFR, Part 225 (18 pages, 362 kb)

OMB Circular A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (11/19/1993) (further amended 09/30/1999, Relocated to 2 CFR, Part 215 (32 pages, 243 kb)), MB Circular A-122, Cost Principles for Non-Profit Organizations (05/10/2004) HTML or PDF (55 pages, 220 kb), Relocated to 2 CFR, Part 230 (17 pages, 235 kb).

The following pages categorize allowable and unallowable expenses for the E&T program based on the OMB circulars and Federal regulations.

Allowable and Unallowable Administrative Expenses

7 CFR 277 (OMB Circular A-87) Cost Principles for State, Local and Indian Tribal Governments

Allowable administrative costs are operational costs for SNAP E&T, which include all administrative expenses that are reasonable and necessary to operate an approved E&T program. Allowable administrative expenses include:

- Salaries and benefits of personnel involved in SNAP E&T and administrative support (see below);
- Office equipment, supplies, postage, duplication costs and travel that is necessary to carry out the program's objectives;
- Development and production of SNAP E&T materials when no other appropriate materials exist;
- Lease or rental costs;
- Maintenance expenses;
- Other indirect costs; and
- Charges for travel for the purpose of fulfilling the approved plan based on official State, local or university travel regulations.

Salaries & Fringe Benefits

State agencies may reimburse E&T partner agencies for staff time and fringe benefits if they are doing E&T specific work (like case management) as long as these services are above and beyond what is offered to all other clients at no cost. If a partner agency dedicates 100% of a staff position to the E&T program, FNS will pay his or her full salary and fringe benefits. If this staff person is less than 100%, he or she must keep timesheets to document the amount of time spent on E&T clients and E&T services.

FNS will only pay partner agency salaries and fringe benefits if there is a contract with the State agency. If an E&T partner is providing services outside of a contract or an MOU, FNS will pay the direct cost, or "shelf price" of services provided to E&T participants.

Unallowable Administrative Costs

Per 2 CFR 225 (OMB Circular A-87) and 2 CFR 220 (OMB Circular A-21) for State and local governments are listed below. Similar lists are found in 2 CFR 215 (OMB Circular A-110) and 2 CFR 230 (OMB Circular A-122), the OMB regulations applicable universities and non-profit organizations).

- Bad debts, uncollected accounts or claims, and related costs.
- Contingencies or contributions to an emergency reserve or similar provision for unforeseen events (these are not insurance payments, which are allowable).
- Contributions and donations, usually these are political in nature.
- Entertainment costs that are primarily for amusement or social activities. (This is actually one with a lot of exceptions. For example, meals are cited in the OMB regulations but within the context of training meals might be allowable. There are a number of costs here that require a "reasonable judgment" based on why or when the activity takes place.)
- Fines and penalties for failure to comply with Federal, State, or Local laws.
- Governor's Office expenses or costs of general government. Costs which may be directly charged to a Federal grant may be allowable. (For example, if a person assigned to the governor's office devotes 100 percent of his/her time to the SNAP, the cost may be allowable. Each situation, however, shall be judged on its own merit).
- Indemnification or payments to third parties and other losses not covered by insurance.

- Legislative Expenses.
- Losses not covered by insurance (See Indemnification above. These costs are similar, but not the same).
- Under recovery of costs under Federal Funding Agreements-shortfalls in one grant cannot be charged to another Federal grant. (This is not the same as charging two Federal grants for a share of the costs of the activity if both agencies benefit from the activity funded. However, an allocations basis shall be established for sharing the costs in proportion to the benefit each receives.)
- Alcoholic Beverages.

Under 2 CFR 220 (OMB Circular A-21), there are additional **unallowable cost categories**:

- Advertising and public relations, unless used for recruitment of staff, acquisition of material for the grant, or publishing the results of the grant.
- Alumni activities.
- Commencement and convocations.
- Legal fees which result from a failure to follow Federal, State or local laws. If certain conditions are met, the Federal government may allow some legal fees.
- Executive lobbying.
- Goods and services for private use.
- Housing and personal living expenses.
- Interest, fund raising, and investment management. There are some exceptions regarding interest.
- Any and all political party expenses.
- Pre-agreement costs, that is, all costs incurred prior to the grant award.
- Scholarships and student aid. (There are exceptions which should be reviewed if these costs appear in budget.)
- Student activity costs.
- Travel-Allowable but with restrictions as to amounts involved, level of transportation costs (e.g., no first class tickets).

Reasonable And Necessary Costs

E&T expenses must be directly related to an approved program component.

7 CFR 277 (OMB Circular A-87) Cost Principles for State, Local and Indian Tribal Governments

While OMB regulations define what is allowable, costs that may be covered by FNS for E&T activities shall also meet a “reasonable and necessary” test (7CFR 277 (OMB Circular A-87)).

Reasonable Costs: A cost is reasonable if, in its nature and amount, it does not exceed that which a prudent person would pay under the circumstances prevailing at the time the decision was made to incur this cost; provides a program benefit generally commensurate with the cost incurred, are in proportion to other program costs for the function that the costs serve, and

are within the scope of E&T.

Necessary Costs: A cost is necessary if incurred to carry out essential functions, cannot be avoided without adversely affecting program operation, and do not duplicate existing efforts:

- Are incurred to carry out essential functions of E&T,
- Cannot be avoided without adversely affecting program operations,
- Are a priority expenditure relative to other demands on availability of administrative resources, and
- Do not duplicate existing efforts.

When identifying allowable costs in a third-party reimbursement model, start with the following three questions:

- Are the proposed services appropriate for E&T?
- What is the source of the partner agency funding? Is this an allowable match?
- Are other Federal, State and local programs charged the same? Is there consistency in how services are billed?

Property Procurement And Management

2 CFR 225 (OMB Circular A-87)

The State agency and all sub-grantees shall follow procurement requirements found in 7 CFR 3016. The State agency shall receive prior Federal approval before procuring or requesting reimbursement for equipment valued at more than \$5,000 per item. Review and approval of equipment acquisition is normally conducted during review of the proposed budget. Budget review should ensure that proposed equipment requests do not duplicate previous year's equipment purchases for the same project. Inventory records shall be maintained for equipment that is paid for in full, or in part, with Federal funds. A physical inventory is required every two years.

Partnerships with Institutions of Higher Learning

State agencies may decide to establish partnerships and third-party reimbursement models with institutions of higher learning. Community colleges provide a variety of short-term education programs with a direct link to employment, making them a popular partner for the SNAP E&T program. More information on allowable education activities can be found in Appendix A. While community colleges may be a very suitable E&T partner, SNAP E&T funding rules for education are complex. The SNAP E&T program is subject to Federal grant rules. In addition, the Act prohibits State agencies from using Federal E&T funds to supplant non-Federal funds for existing educational activities (see text box on previous page). In an effort to clarify these rules, FNS has developed a table of DOs and DON'Ts for partnerships with institutions of higher learning.

DOs	DON'Ts
Charge for in-kind expenses ³ - Only government entities may be reimbursed for in-kind contributions per SNAP rules. If a community college is part of State or local government, it may charge for in-kinds such as a volunteer instructor or donated space. These expenses must be charged consistently and must be directly related to the SNAP E&T program. School overhead, or the cost of instruction, is not an in-kind cost. An example of in-kind costs might be volunteers offering tutoring services. See Appendix C: In-Kind Costs and the FAQs.	Charge for the cost of instruction above and beyond the cost of tuition. This is considered supplanting. The cost of instruction cannot be used as a match to draw down Federal funds.
Use either 100 percent grant or 50 percent reimbursement funds to pay for E&T-specific administrative support at the school (excluding participant reimbursements).	Charge for services provided for free to non-SNAP students.
Cost allocate for allowable E&T expenses; the partner agency must cost allocate consistently and not charge only FNS for services offered to other grant programs.	Use student-paid tuition as a match.
Charge for E&T specific services.	Charge for non-E&T services or expenses.

NOTE: In-kind costs are defined by the Federal government as non-cash transactions and are usually charges for volunteers or space. Space used specifically for E&T functions may be charged if it is provided through a non- cash transaction, i.e. space provided free of cost to the school. Normally space at a school would not be a non- cash transaction since there would be an appropriate charge through the school’s accounting or billing practice.

The State must retain oversight of E&T components provided by partner agencies; the State is responsible for submitting the requests for Federal reimbursement and reporting directly to FNS.

Federal funds may not be used to *supplant*.

Supplanting Vs. Supplementing

Educational activities and expenses are singled out by the Act and Federal regulations. FNS may not be charged more than the general public (or what the client would pay if not participating in E&T) for an educational activity. Section 6 (d)(4)(H) of the Act states:

“Federal funds made available to a State agency for purposes of the component authorized under subparagraph (B)(v) [educational programs or activities] shall not be used to supplant non-Federal funds used for existing services and activities that promote the purposes of this component.”

This provision was included because Congress and FNS wanted to focus Federal financial support for State educational activities on E&T components that represented new efforts to enhance the employability of SNAP participants, rather than supplant State funds for existing activities.

In terms of educational expenses at an institution of education, the non-supplanting clause means that FNS may not be charged for the difference between the actual costs of instruction and the tuition and fees that are charged to the general public. If a subsidy is available to all students at no cost but charged to the E&T program, E&T participants are being treated differently than other students and in so doing State funds are supplanted.

Federal E&T reimbursements can be used to SUPPLEMENT, rather than supplant, State or local funding for existing education services or activities. Supplementing means to go above and beyond the educational services provided at no cost to non-E&T participants.

What if an educational activity is normally available at no cost to participants because it is funded by a state or local government, but space and funds are limited and more classes would be required to serve E&T participants? Can a state agency use E&T funds to pay for additional classes?

If the educational activity is a State or local entitlement, the answer is no. For example, if a State or local government guarantees that all adults, age 21 and under, are entitled to a GED at no cost and the State funds this activity, E&T funds cannot be used to pay for these services nor can the funds the State provides be used as a match. In another example, a State commits to pay for 30 percent of the operational expenses at its universities and community colleges. In this example, E&T funds cannot be used to pay for or reimburse any portion of that commitment and the State commitment cannot be used as a match to draw down Federal E&T reimbursement.

What if a community-based organization offers educational activities at no cost to participants? Can a state agency use E&T funds to pay for E&T participants at a community-based organization?

A State agency may use E&T funds to pay for educational activities at community-based organizations. For example, a community-based organization offers adult basic education and relies on charitable donations or grants to fund these activities. The State agency may use E&T funds to pay for E&T participants that receive these services, however, the community-based organization would need to figure out the per student cost of its educational activity and allocate costs to the E&T program accordingly.

If the community-based organization charges other grants for these services, the E&T program must be charged consistently with how the other grants are charged. Costs charged to the E&T program must be reasonable and necessary. Funds used for a match must not be from a Federal source and cannot be used to meet the matching requirements of another program.

If the community-based organization provides services that are funded through a State or local entitlement, E&T cannot be charged for these services. For example, all adults in the State are

entitled to free GED classes and the State provides funds to community-based organizations that offer these services; the community-based organizations in this example cannot bill SNAP E&T for GED classes.

Education Components In-Depth

The Food and Nutrition Act (the Act) of 2008 states that the purpose of the Employment and Training (E&T) program is to assist members of the Supplemental Nutrition Assistance Program (SNAP) households in gaining skills, training, work, or experience that will increase their ability to obtain regular employment. Acceptable education programs are those that improve basic skills, such as adult basic education, literacy training or English as a Second Language coursework.

Education components were added to the Act as a way to improve the job search capacity of SNAP E&T participants. The Food and Nutrition Service (FNS) has observed that the demand for education components increases during a recessive economy as more SNAP clients are underemployed or unemployed and compete for a limited number of jobs. The increased interest in E&T education components has raised many questions on allowable costs and participant expenses. The purpose of this appendix is to lay out allowable education expenses for E&T.

E&T education activities must have a direct link to employment and help SNAP participants move promptly into employment. The expenses associated with an E&T education activity must be reasonable and necessary. It is expected that all other sources of funding for education will be explored, including other educational grants such as the Pell grant but excluding student loans, before E&T funds are used for tuition.

Allowable Expenses For Education Components

The following chart includes expenses that are most commonly associated with education components. It is not an all-inclusive or comprehensive list of allowable education expenses but should provide State agencies and potential community partners with a starting point for planning an E&T education component. All expenses must be approved in the State E&T plan.

State E&T Expense Category	Funding Method	Comments
State Administrative costs, including in-kind expenses for volunteer services and donated spaces.	100 percent E&T grant or 50/50 administrative reimbursement	State may seek reimbursement for 50 percent of admin costs before it has expended the 100 percent grant although this is not recommended unless the State is sure the entire 100 percent grant will be spent.
Other State agency as service provider.	100 percent E&T grant or 50/50 administrative reimbursement	Can include administrative costs and in-kind contributions.
Non-governmental partner administrative costs (excluding in-kind costs).	100 percent E&T grant or 50/50 administrative reimbursement	In-kind contributions do not count as an expense from non-governmental agencies. These expenses cannot be reimbursed.
Case management	100 percent E&T grant or 50/50 administrative reimbursement	Case management can be the responsibility of the E&T office or a third-party provider. Charges for case management are allowable after the E&T participant has been referred to the education component and charges to the E&T program cannot include case management under SNAP or another program.
Tuition/fees	100 percent E&T grant or 50 percent administrative reimbursement, or participant reimbursement (depends on how tuition is paid, directly to school or to student)	Tuition must be the same for E&T participants as for students not participating in SNAP E&T. FNS will only pay for what is charged to the general public and not the overhead or total cost of instruction.
Transportation	Participant reimbursement (50 percent State, 50 percent Federal)	State can set a cap for transportation reimbursements and determine how these reimbursements will be paid.
Child care	Participant reimbursement (50 percent State, 50 percent Federal)	Child care reimbursements cannot exceed the local market rate.
Eye care/dental care	Participant reimbursement (50 percent State, 50 percent Federal)	Only if reasonable and necessary – what a prudent person would pay under similar circumstances and necessary for participation in the E&T program.
Books	Participant reimbursement (50 percent State, 50 percent Federal)	This could be an administrative expense if the books are purchased by the institution and provided at no cost to E&T participants. Similar to tuition.
Uniforms, tools and equipment	Participant reimbursement (50 percent State, 50 percent Federal)	
Overhead expenses of an institution of higher learning (includes universities, community colleges, adult education centers, etc.)	Unallowable	Overhead or operation expenses are normally covered by State or local funds and not charged to individual participants. E&T funding cannot be used to pay these costs nor can these expenses be put up as a State or local share for 50/50 reimbursement.
Personal computers	Unallowable	
Living stipend	Unallowable	
Purchase of a car	Unallowable	
Other expenses not directly related to participation in the education component	Unallowable	
Student loans	Unallowable	The student is responsible for re-paying these loans in the future

Allowable E&T Participant Reimbursements

The following is a list of items and information on the allow-ability of 50/50 reimbursement. Items marked as "Almost Always" or "Sometimes" assume the item is required for successful participation in an E&T program's component. *All* E&T allowable costs must be reasonable and necessary. State agencies must provide, in their annual State E&T Plans, detailed information about which expenses they propose to reimburse beyond the traditional ones.

Item	Almost Always	Sometimes	Never	Notes
Automobile Insurance			X	
Automobile Ownership/Operator Taxes (tag, title, license)			X	
Automobile Purchase			X	
Automobile Repairs		X		Capped or limited to a reasonable amount.
Background Checks		X		Only if required for a job.
Books	X			Must be necessary to complete E&T training session/educational coursework.
Clothing for job interviews	X			
Clothing required for a job		X		As part of a job retention component (up to 90 days).
Course Registration Fees	X			
Dental Work		X		Minor work, such as a cleaning; Not major work such as oral surgery, bridge work, braces, dentures, etc.
Dependent care costs	X			
Drug/Alcohol Counseling or Therapy			X	Unnecessary due to exemption status.
Drug Tests		X		Only if required for a job.
Equipment		X		Must be necessary to complete E&T component or job retention component (up to 90 days).
Fingerprinting		X		Only if required for a job.
Gasoline	X			
Legal Services		X		

Licensing and bonding fees for work exp./placement	X			
Living Stipends			X	
Medical Services		X		Usually unnecessary due to exemption status, but allowable if required for a job (i.e. TB test).
Mental Health Treatment			X	Unnecessary due to exemption status.
Personal Computers			X	
Personal safety items	X			Must be necessary to complete E&T training session/educational coursework.
Relocation Expenses			X	
Student Activity Fees		X		Only if required to participate in class.
Student Loans			X	
Test Fees		X		Must be directly associated with an E&T component.
Tools		X		Must be necessary to complete E&T training session/educational coursework.
Training Materials	X			Must be necessary to complete E&T training session/educational coursework.
Transportation expenses (i.e. public transportation fare)	X			
Tuition/Fees		X		See March 2010 Guidance Memo
Uniforms	X			Must be necessary to complete E&T training session/educational coursework.
Union Dues		X		Must be necessary for job.
Vision Needs (Eye Glasses or Eye Exam)		X		

Indirect Cost Rates

2 CFR 225 (OMB Circular A-87)

Indirect cost is a general term for certain types of costs that are incurred by the grantee or sub-grantee in support of other allowable activities that are charged directly to sponsoring Federal or State funding agencies. These indirect costs (also called overhead costs) are determined through a variety of rates or “cost allocation plans” that detail how the costs are to be shared by the funding agencies.

Indirect cost rates are documented through an indirect cost plan, which is approved by a “cognizant agency.” A cost allocation plan, also approved by a cognizant agency, is a more extensive plan that combines many different allocations.

FNS has determined that under OMB Circular A-87, the primary grantee (normally the State agency) is responsible for review of indirect costs submitted by their sub-grantees. This policy is currently implemented by other Federal agencies, including the Department of Education, Department of Labor, and the Department of Health and Human Services.

FNS will accept indirect costs established through an indirect cost plan approved by the appropriate State agency. We retain the right to review any and all such plans. In the event a State agency has approved a plan, which is determined to be unacceptable, indirect costs charged through that plan may be disallowed.

If a cost can be directly attributed to one grant, then that cost may not be included in either an indirect cost plan computation or any cost allocation plan. Indirect cost rates are normally computed through a process where all indirect costs are added together and then divided by the Modified Total Direct Costs. This results in a percentage which is applied to each grant as their share of the indirect or overhead costs. For example, if indirect costs total \$16,000 and the Modified Total Direct Costs total \$100,000, then the indirect cost rate would be 16 percent.

Each grant would then be charged 16 percent of the total direct costs chargeable to that grant. In a cost allocation plan, usually meant for a larger grantee, various costs are pooled and then allocated to the various grants operated. Indirect costs may be claimed by grantees for the cost of activities operated by sub-grantees. This would result in two indirect cost rates being applied to the grant. In most cases, the rates are restricted to the first \$25,000 of any flow through grants or contracts. This is provided for in the construction of the Modified Total Direct Costs used in development of the indirect cost rates.

If a grantee has an approved indirect cost plan or cost allocation plan, they should note the indirect cost rate agreement in their State’s E&T Plan. FNS may request documentation in support of the submitted indirect cost rate. The state agency should ensure that documentation from either the federally assigned cognizant agency or the State review process will be available for FNS review if requested.

Small local agencies may not have staff with the expertise to develop indirect cost rates. Local agencies that do not have a cognizant agency to review and approve their rates may apply to the

State agency for approval to use a rate developed either by or for the local agency. They may obtain contracted accounting services as an allowable program cost. Any costs of determining the indirect costs are themselves allowable costs and may be included in the E&T Plan budget as either direct or indirect costs. Only the proportionate share of the costs of developing the indirect cost rate may be charged to FNS. The State agency should indicate, within the E&T plan, its acceptance of the indirect cost rate. The FNS Regional Office may accept or reject use of the rate based on the rate computation documents. If the State agency does not accept the responsibility for approving the indirect cost rate, or disapproves the rate, the FNS Regional Office will not accept the rate.

State agencies are responsible for ensuring that indirect costs included in the State E&T Plan are supported by an indirect cost agreement approved by the appropriate cognizant agency and are claimed in accordance with that agreement.

In-Kind Donations Not Involving Transfers Of Cash 7cfr 277

In-kind donations that are the value of volunteer time or other non-billable goods or services (e.g., there is no cash transfer between parties) are not allowable as charges to this grant if they are provided to or by a non-governmental agency or sub-grantee.

In-kinds from government agencies cannot be charged to another Federal grant.

Goods and services requiring a transfer of cash *are not* in-kinds. However, goods and services that require a cash reimbursement by the sub-grantee may be charged as a cost, providing the cash reimbursement is based on a legally enforceable contract or agreement between the grantee and sub-grantee. An obligation to pay shall exist for a sub-grantee to have a valid claim. FNS will then reimburse 50 percent of the outlay incurred by the grantee or sub-grantee.

A grantee (the State agency) or sub-grantee cannot claim a donated service or a good as an in-kind if:

It is not allowable, reasonable, or necessary for the delivery of SNAP E&T;

Although public schools are considered a governmental agency, the cost of student's time to get high school credit hours by volunteering with SNAP E&T activities is not an allowable in-kind charge to SNAP E&T.

Although SNAP does not have an official definition of what constitutes an adult, for work registration purposes it is generally at age 16, with specific guidelines on 16 & 17 year olds. Therefore, the minimum age for a SNAP E&T volunteer is 16 years of age.

Payments are made by the State agency or sub-grantee for any of the goods and services (payments are actual outlays rather than in-kinds); or

The sub-grantee claiming the in-kind is a private organization. As specified under 7 CFR 277.4(e), only public agencies are allowed to claim in-kind charges. Because the value of in-kind donations including volunteer services to a private entity (private schools, churches, non-governmental entities, etc.), do not represent any State expenditure or outlay, SNAP regulations do not permit them to be considered as a cost to the program and thus are not reimbursable.

A grantee or sub-grantee may claim a service or a good as an in-kind if:

It is allowable, necessary, and reasonable for the delivery of SNAP E&T.

The sub-grantee claiming the “in-kind” is a public organization as specified under 7 CFR 277.4(e). These regulations were written in the interests of maximizing States’ ability to identify allowable funding sources. FNS has allowed for regulatory support to the concept that the donation of goods and services to a public entity result in a de facto State expenditure or outlay. Thus, they are reimbursable. (Note that regulations do not permit extending this interpretation to private organizations).

In valuing a volunteer’s time or service to a public organization, the following principles apply: The volunteer’s wages are computed on a reasonable hourly basis in accordance with the duties being performed for SNAP E&T, or wages are computed based on the Federal minimum hourly wage established by the United States Department of Labor;

The volunteer records time as specified in the SNAP E&T Cost Policy Guidance (See below, “Time Records”); and

The value of the volunteer's time is not being used as a match for any other Federal grant.

In valuing donated goods, the following principles apply:

The value for goods other than publicly owned space is computed on reasonable fair market value;

When valuing space owned by a public agency, depreciation or use allowance is used for cost computations; and

The value is not being used as a match for any other Federal grant.

Donations From Non-Federal Public Agencies 7 Cfr 277.4(C)(D)

As specified under 7 CFR 277.4(c)(d), Federal reimbursement for the costs of services or property donated by other non-Federal public (i.e., government) agencies is allowable provided that the donated costs are not billed or claimed to another Federal program or used to match another Federal program. The State agency shall maintain records or an audit trail to support costs claimed. The claim shall be for SNAP E&T allowable activities.

Valuation Of Publicly Owned Space

2 CFR 225 (OMB Circular A-87); 2 CFR 220 (OMB Circular A-21); 2 CFR PART 215 (OMB Circular A-110)

Charges for Publicly Owned Space-Space owned by a public entity cannot be charged to a Federal grant based on private market rental rates. The entity can only recover the costs of space through a depreciation schedule or use allowance, applicable charges for utilities, maintenance, and general upkeep.

Federal requirements regarding the valuation of publicly owned space is contained in OMB regulations at 2 CFR 225 (OMB Circular A-87), 2 CFR 220 (OMB Circular A-21), and 2 CFR PART 215 (OMB Circular A-110) and Departmental regulations at 7 CFR 3016. The requirements indicate that in no case may publicly owned space be “donated” or billed at fair market rental rates. One allowable method for calculating the value of publicly owned space is depreciation or use allowance. Fair market rates may not be used for publicly owned space

regardless of whether they are direct billed or donated. The cost of space owned by a public agency is the acquisition cost of that space, plus maintenance and utilities. (FNS Policy Memorandum-March 9, 1998).

Example Of Calculating Valuation Of Publicly Owned Space

Depreciation is dividing the cost of the building over its useful life. For example, if a building cost \$50,000 to build and it had a useful life of 20 years, the yearly depreciation would be \$2500. This cost is spread over the square footage of the building, resulting in an annual rate per square foot. The SNAP share would be the amount of space that is used for the SNAP. A use allowance is used when the building is fully depreciated. You are allowed to charge no more than 2 percent of the cost of the building per year. In the example above, States could only charge \$1000 per year.

FNS has also developed a standard hourly use allowance that is an optional method for States to use when calculating the cost of publicly owned space.

- .002041 dollar per square foot may be used for the cost of space.
- .003265 dollar per square foot may be used for the cost of maintenance, and utilities.

States have the option to use actual cost if available.

Additional information on these calculations is available in FNS memorandum, "Calculation for Space in Government Owned Buildings for use in Food and Nutrition Service Programs", dated April 11, 2006.

Time Records

2 CFR 225 (OMB Circular A-21)

Weekly time and effort reporting is required by FNS for staff paid through E&T funds and those contributing to this work through cost share. Time and effort reporting is likewise required for volunteers. Additionally, records shall be maintained for third party contracts of less than 100 percent time. In lieu of signing each time and effort sheet individually, after review and approval, time and effort sheets can be certified in bulk and transmitted electronically (up to 20 sheets per transmittal) with a supervisor's electronic signature.

Time records are used to calculate the charges for time spent on allowable activities. The administrative office, which converts hours worked into dollars charged, shall also maintain accounting records that substantiate the charges incurred. Costs charged based on time and effort reporting would include salaries and fringe benefits for staff employed. These costs should relate to the total accounting documentation maintained by the organization that is asserting the claim.
Staff Devoting 100 Percent of Time to SNAP E&T

A semi-annual time and effort certification by a supervisor is required.

After-the-fact reporting is unacceptable.

Staff Devoting Less Than 100 Percent of Time to SNAP E&T

Time records are required for all E&T staff and volunteers devoting less than 100 percent of their time to SNAP E&T unless a federally approved Random Moments Time Study is used to allocate the time spent on allowable activities. Universities and colleges that are approved for Plan Confirmation by the Department of Health and Human Services are also exempt from the time record requirement.

Budget sections of State plans should confirm that time records are documented. Time worked on SNAP E&T should be reported in hours and not percentage of time to the project. Only time spent on SNAP E&T needs to be entered on the form.

If a University has a procedure for hourly documentation already in place, it may meet the reporting requirement.

The time and effort forms can be maintained at the work site and shall be available for review/audit for a period of three years.

Grantees that have federally approved Random Moments Time Studies need not use time records to document time spent on allowable activities.

State agencies may submit alternative methods of calculating time with appropriate justification for consideration by the FNS Regional Office. The FNS Regional Office may consider and approve alternative methods of calculating time that provide a reasonable assurance of accuracy of the time estimate. Time records need not be submitted with the plan but should be maintained by the project for audit.

When accounting for the cost of part-time staff, the total cost, including time not worked (annual and sick leave), shall be computed and charged. The official accounting system used for grants and funding arrangements shall be used in calculating this cost so that official accounting records reflect all of the revenue and costs of SNAP E&T. The staff person's time spent on SNAP E&T shall be documented as specified above.

