

Grant Technical Assistance Guide

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Chapter 1 - Introduction to Grant Technical Assistance Guide

Reference: [2 CFR 200](#) including appendices and [UGMS](#)

The Grant Technical Assistance Guide (GTAG) offers guidance on financial administration topics to clarify the applicable laws, rules, and regulations, including Texas' Health and Human Services (HHS) policy and procedures pertaining to the administration and financial management of HHS grant awards.

The GTAG defines a grantee as an entity that meets one or more of the following conditions: (1) funds are provided under a program of the State of Texas (recipient); (2) the System Agency is acting as a pass through entity under a program awarding Federal funds (subrecipient); or (3) the grant includes both state and federal funds (subrecipient).

Grantees are responsible for the administration and financial management of all funds and resources received from HHS. Grantees are to comply with and follow all applicable Federal and state laws, rules, and regulations in the administration of grant awards from Federal or state sources.

Grantees are also to comply with HHS rules, policies, and procedures, including any specified terms in the contract. The executed contract between HHS and a grantee, including all attachments, exhibits, and resources referenced in the contract, govern the grant agreement between the parties.

The financial management principles presented in the GTAG are neither prescriptive nor authoritative. Grantees are responsible for identifying and implementing the procedures necessary to maintain compliance with Federal or state funding sources. The general references at the beginning of each chapter and the references located in Appendix B are not all-inclusive.

Examples within this guide portray possible applications of the guidance in hypothetical situations. Examples are not intended to represent the only way the guidance may be utilized. All relevant details should be evaluated when applying the guidance within GTAG.

The GTAG is being provided for informational purposes only and is not intended, and should not be considered, legal advice. Grantees should consult their attorney for advice regarding any particular issue or problem.

1.1 - Requirements of Federally Funded Grant Awards

Grant awards are required to comply with Federal financial management regulations issued by the Uniform Grant Guidance (UGG) and Texas' Uniform Grant Management Standards (UGMS) dependent upon the originating funding source(s).

Title 2, Part 200 of the Code of Federal Regulations (2 CFR 200), the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, provides guidance on the administrative aspects of Federal awards and subawards to all non-Federal entities. Non-Federal entities are states, local governments, Indian Tribes, institutions of higher education, or nonprofit organizations that carry out Federal awards. For profit entities are also subject to 2 CFR 200, Subparts A through E.

Grantees receiving and accepting Federal funds are required to comply with Appendix II - Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.

The diagram below presents an overview of the possible relationships resulting from Federal grant awards.

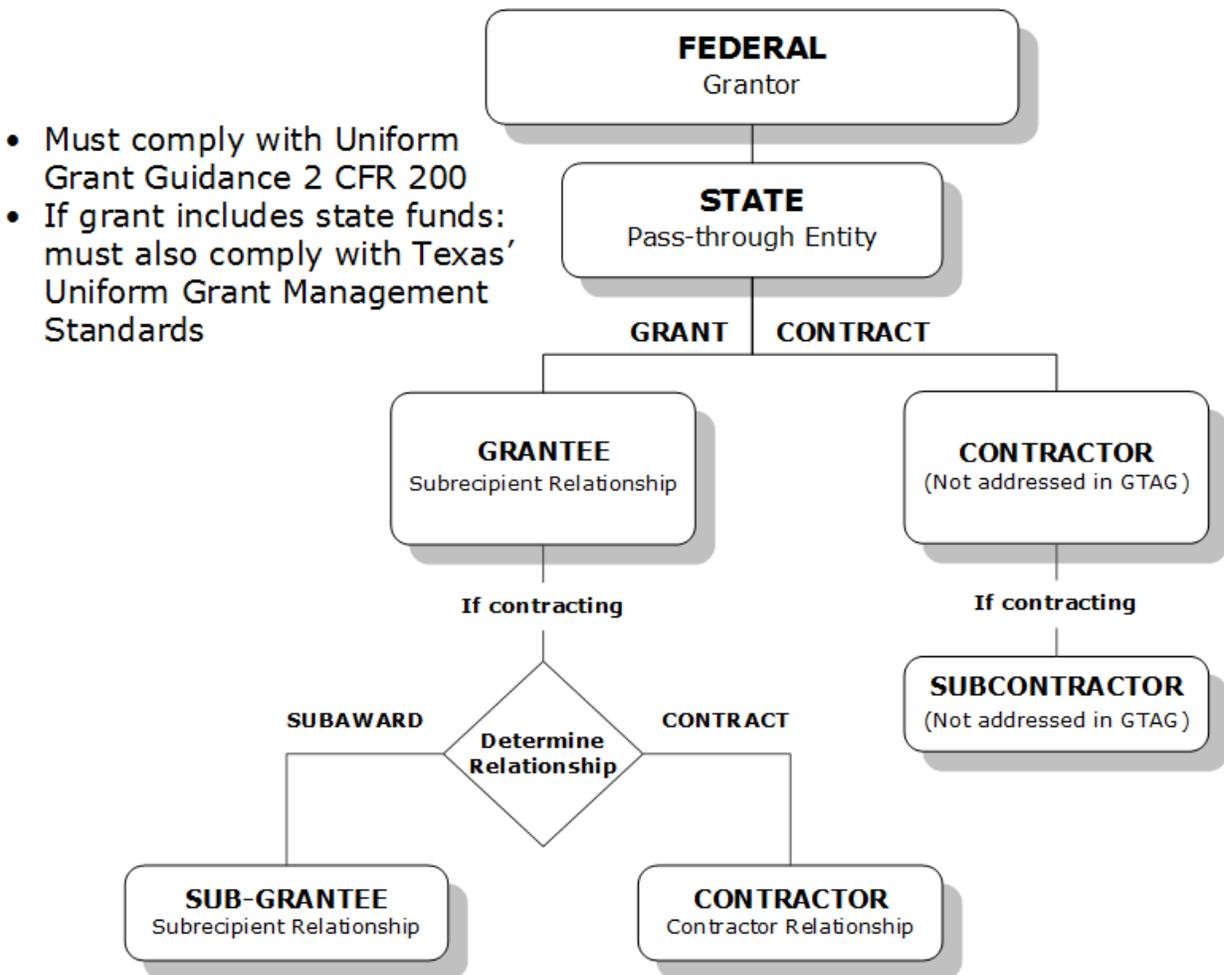


Figure 1. Federal grant relationship

1.2 - Requirements of State Funded Grant Awards

UGMS was developed by the Texas Office of the Governor to “promote the efficient use of public funds.” This resource is maintained by the Texas Comptroller of Public Accounts. HHS utilizes UGMS as the authority for state funded grant awards.

The diagram below presents an overview of the possible relationships resulting from state funding.

- Must comply with Texas Uniform Grant Management Standards
- If grant includes Federal funds: must also comply with Uniform Grant Guidance 2 CFR 200

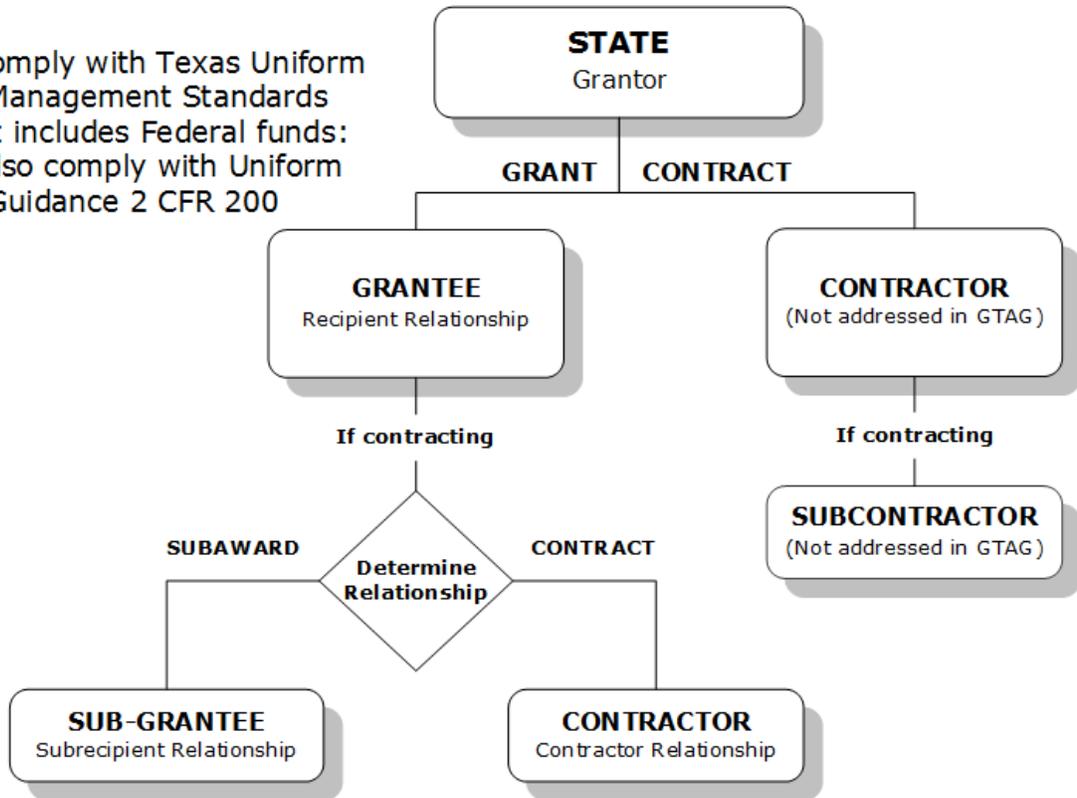


Figure 2. State grant relationship

1.3 - Additional Resources

Questions pertaining to the financial administration of grantee contracts with HHS should be referred to the contract manager or point-of-contact specified in the contract.

Chapter 2 - Financial Administrative Systems Requirements

Reference: [2 CFR 200.302](#) and [UGMS](#)

The grantee is responsible for the efficient and effective administration of grant funds through the application of financial management practices, including organization and management techniques that ensure proper and efficient administration of the award.

The grantee must:

- administer grant funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the award;
- provide for adequate documentation to support costs that are charged to the grant; and
- maintain financial management systems and records sufficient to permit the preparation of reports required by general and program-specific terms and conditions.

The financial management system of each non-Federal entity must provide for the following:

- identification, in its accounts, of all grant awards; Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any;
- accurate, current, and complete disclosure of the financial results of each grant award or program annually or as required by the grant or contract, including support of performance reporting;
- records should adequately identify the source and application of funds to document use according to grant requirements;
- records adequate to produce accrual-basis reports from an analysis of the data and documentation on hand (if the grantee is required to report financial information on an accrual basis, but maintains its records on other than an accrual basis);
- comparison of expenditures to budget amounts for each contract if applicable; and
- written procedures for determining the allowability of costs according to 2 CFR 200 Cost Principles and the terms and conditions of the contract.

The grantee should establish, document, and maintain internal controls. The grantee must:

- maintain effective control over, and accountability for all grant funds, property, and other assets;
- adequately safeguard all assets and assure that they are used solely for authorized purposes;
- evaluate and monitor compliance with statutes, regulations, and the terms and conditions of the awards;
- take prompt and appropriate action when instances of noncompliance are identified; and
- take reasonable measures to safeguard protected personally identifiable information and other information designated as or considered sensitive.

Internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Chapter 3 - Cost Principles and Allowable Costs

Reference: [2 CFR 200.401-403](#) and [UGMS](#)

Costs charged to an HHS contract must meet the general allowability criteria established by 2 CFR 200 and UGMS, as applicable to Federal and state funding sources. HHS may restrict or limit the reimbursement of allowable costs. Any restriction or limitation of allowable costs will be specified in the contract's provisions or the approved budget.

Example: Executive salary expense is generally allowable but funding or program restrictions may limit or classify the costs as unallowable. Allowable executive salary expenses are recorded in the program's cost center.

The total allowable expenses must be captured in the program's cost center in the general ledger to be reimbursed. Unallowable or capped program expenses may be recorded in a program's cost center but must not be billed to HHS for reimbursement.

3.1 - Criteria for Costs Incurred

Grantee must have incurred a cost within the contract term to be eligible for reimbursement. Reimbursement should not be requested for the cost of goods or services that will benefit a prior or future period or another program.

Table 1. Criteria for Incurred Costs to be Allowable

For:	Cost is incurred when it is...
Consumable Goods	received and reasonably expected to be consumed within the contract term.
Services	rendered within the contract term.
Equipment	authorized and received within the contract term.

3.2 - Composition of Total Cost

The total cost of an activity funded by an HHS contract is the sum of allowable direct and allocable indirect costs less any applicable credits.

3.2.1 - Direct Costs

A direct cost is an expenditure that can usually be measured exactly and attributed directly to one or more cost objectives. Direct cost may be allocated if circumstances warrant. Direct costs must be recorded in a program's cost center or accounts to be charged to an HHS contract.

3.2.2 - Indirect Costs

Indirect costs are those costs that have been incurred for a common or joint purpose benefiting more than one cost objective (program) and cannot be readily identified with any particular cost objective. The cost of administrative and support activities should be budgeted and reported as indirect costs.

Costs classified as indirect cannot be charged directly to a program's cost center. Indirect costs must be allocated.

3.2.3 - Applicable Credits

Applicable credits refer to reductions of expenditures that offset or reduce expense items that are allocable to an HHS contract. Applicable credits include, but are not limited to:

- purchase discounts;
- rebates and allowances;
- recoveries and indemnities on losses; and
- refunds and adjustments.

3.3 - Determining if a Cost is Allowable

A cost is allowable if it is:

- reasonable;
- necessary for proper and efficient administration of the proposed project;
- allocable to the project for which the contract is awarded;
- consistently treated as a direct or indirect cost;
- net of applicable credits;
- adequately documented;
- permitted under the appropriate cost principles;
- not included as a cost or match under another cost objective (program);
- not restricted or prohibited by the terms and conditions of the contract; and
- compliant with Generally Accepted Accounting Principles (GAAP).

HHS may require that a grantee receive prior written approval for an otherwise allowable cost to be reimbursed under the contract.

3.3.1 - Determining Reasonableness

The following factors should be considered when determining whether a cost is reasonable:

- cost was incurred by a prudent individual or organization under the market circumstances at the time the decision was made to incur the cost;
- purchase was negotiated by independent parties;

- grantee applied sound business practices;
- cost was ordinary and necessary for the performance of the program as defined in the contract’s Statement of Work; and
- whether it deviated significantly from its established purchasing practices.

3.3.2 - Determining Allocability

A cost may be charged to a contract if the cost benefits the project either directly or indirectly and is charged to HHS in proportion to the benefit received by the project.

Any cost allocable to a specific Federal or state award may not be shifted to other awards:

- to overcome funding deficiencies;
- to avoid restrictions imposed by law; or
- to avoid restrictions imposed by the terms of the contract.

3.3.3 - Determining Consistent Treatment

Grantees treatment of reimbursable costs must be consistent with similar costs under the grantee’s established accounting system without regard to the source of funds supporting the expenditures. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect.

3.3.4 - Determining Net and Reimbursable Cost

Net cost is the total direct and indirect cost of a program’s activity less applicable credits.



Figure 3. Formula to calculate net cost

Applicable credits not netted against total cost will result in an adjustment to the reimbursement amount. If a grantee has received final reimbursement for the program and subsequently receives a credit to program expense the grantee should refund the amount to HHS.

Example: Grantee was reimbursed for goods purchased from an office supply store during the contract term. The supply store later discovered the grantee was eligible for a discount on the goods and provided a refund to the

grantee. Because the grantee was reimbursed for final grant expenses on the contract, the grantee must refund the amount to HHS.

Reimbursable cost is the net cost of program activity less program income received.

$$\begin{array}{|c|} \hline \text{Net Cost} \\ \text{(Total Cost – Applicable} \\ \text{Credits)} \\ \hline \end{array} \quad - \quad \begin{array}{|c|} \hline \text{Program Income} \\ \text{(See Chapter 6)} \\ \hline \end{array} \quad = \quad \begin{array}{|c|} \hline \text{Reimbursable} \\ \text{Cost} \\ \hline \end{array}$$

Figure 4. Formula to calculate reimbursable cost

3.3.5 - Determining Adequate Documentation

An allowable cost must be supported by the organization's accounting records and be adequately documented. A cash disbursement by the organization must be recorded in the general ledger, be approved by the grantee's authorized representative(s), and must:

- have an invoice indicating that the goods or services were received and approved the payment;
- have time sheets or other record of actual work hours by cost objective with proper approvals; or
- provide other support for the expense.

The source documentation should explain the basis of the cost including expenditure date, amount, and the general ledger account number charged.

Documentation required may include, but is not limited to:

- Travel records
- Time sheets
- Purchase orders
- Receiving reports
- Invoices
- Contracts
- Mileage records
- Billing records
- Telephone bills
- Any other documentation that verifies the applicability to the contract and proof of payment

For more specific documentation requirements within budget categories, see [3.6... Budget Categories and Documentation](#).

3.4 - Limitations on Administrative Cost

Some HHS contracts set limits on the maximum amount of allowable administrative cost that may be reimbursed. This limit or capped threshold will be outlined in the contract.

Grantees will need to establish codes in its chart of accounts to identify costs as administrative. Non-Federal or non-state revenue sources must be used to pay for costs that cannot be recovered as a result of the cap limitation.

3.5 - Unallowable Costs

The guidelines and standards of 2 CFR 200 should be applied when determining the allowability of a specific cost. A cost determined to be unallowable according to applicable cost principles or other terms and conditions in the contract must be identified and excluded from any billing or claim applicable to the contract.

There are many costs that are allowable only when certain conditions are met. Sections 200.421-475 of 2 CFR 200 describe multiple items of cost that vary in allowability. For example, the cost of meals and refreshments are usually unallowable except for the following:

- where specifically authorized either in the approved budget for the award or with prior written approval, and have a programmatic purpose; or
- in conjunction with allowable travel and conferences.

Grantees may be subject to terms of other agreements imposing additional restrictions regarding reimbursement requests for otherwise allowable expenses.

Certain costs are always unallowable uses of grant funds, such as alcoholic beverages, bad debts, and lobbying activities.

3.6 - Budget Categories and Documentation

HHS cost reimbursement contracts may include, but are not limited to, the following expense categories within the budget:

- Personnel
- Fringe Benefits
- Travel
- Equipment
- Supplies
- Contractual
- Other
- Indirect Costs

HHS must extend all requirements of the grant to grantees, including budget restrictions.

3.6.1 - Personnel

Personnel costs are the actual costs of salaries and wages paid to employees of the organization tasked to the HHS-funded project. Personnel costs are allowable when they:

- are reasonable;
- conform to the established and consistently applied policy of the organization;
- reflect only the portion of salaries dedicated to the contract; and
- are included in the employee's gross taxable income (e.g. fringe benefits reported as wages).

The Personnel category includes the applicable portion of the gross salaries of employees who perform activities directly related to the contract's Statement of Work. The time an employee spends on these activities must be either charged directly or allocated to programs according to the relative benefit received from the functions performed by the employee.

Salaries of employees involved in determining eligibility, billing third party payers, and medical records may be classified as direct costs and budgeted under the Personnel category.

Example: A grantee operates two programs and has one employee who determines program eligibility for all clients. The employee's \$30,000 salary is allocated according to the number of clients found eligible for each program. The employee qualified 50 clients for Program A and 100 clients for Program B. The grantee allocates \$10,000 directly to Program A and \$20,000 directly to Program B.

The salaries of employees who perform work beneficial to the program, but not directly related to the Statement of Work (e.g., executive office, accounting office, etc.) are included in the indirect category.

The cost of employees performing direct activities cannot be included in determining an organization's indirect cost rate or be allocated as an indirect cost. Employees who work on both direct and indirect activities must document the actual time worked on each activity.

Example: The Chief Executive Officer (CEO) may work three hours on a given day performing program activities and five hours performing general administrative activities. The CEO keeps a written record of the time worked on the two different activities to satisfy documentation requirements.

3.6.1.1 - Payroll Documentation

Charges for personnel payroll costs, whether charged directly or indirectly, must be based on documented payrolls that comply with the grantee's accounting policies and practices and are approved by a responsible official of the organization.

In order to be allowable, payroll costs must be supported by a system of internal controls that provide reasonable assurance of accurate time records. Traditional timesheets or other documentation can meet this requirement when the documentation:

- reflects an after-the-fact distribution of the actual time spent on each activity;
- accounts for the total activity for which employees are compensated by the organization, whether paid by award or non-award funds;
- identifies the various cost objectives and time that the employee worked each day on each cost objective;
- supports the distribution of the employees' wages if allocated; and
- includes documentation of the employee's actual rate of pay.

$$\left(\frac{\text{Hours Worked on Cost Objective X}}{\text{Total Hours Worked During Period}} \right) \times \text{Total Gross Pay} = \text{Allocable Charge to Cost Objective X}$$

Figure 5. Formula to calculate direct salary charge

3.6.2 - Fringe Benefits

Fringe benefits are services provided by the organization to its employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the employer-paid portion of:

- payroll taxes;
- workers' compensation and unemployment insurance;
- employee health insurance; and
- pension or retirement plans.

The cost of fringe benefits is allowable to the extent the benefits are reasonable and incurred under formally established and consistently applied policies of the organization.

Fringe benefit costs should be allocated on the same basis as salary and wages. Source documents must be available for examination even when payroll is out-sourced.

3.6.3 - Travel

Grantees should establish a travel policy to comply with the terms of the contract. Documentation must justify the travel expenses are necessary to the program, the costs are reasonable, and prior approval of HHS was obtained when required.

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the grantee. Such costs may be charged on an actual cost basis, or on a per diem or mileage basis in lieu of actual costs incurred. When a method or combination of methods is used, it must:

- be applied to an entire trip;
- result in charges consistent with those normally allowed in like circumstances in the grantee's non-grant-funded activities; and
- comply with the grantee's written travel reimbursement policies.

For contracts solely funded by the state grants, also see UGMS Part II, Attachment B, Section 43.

Pre-paid travel costs are prepaid expenses recorded as assets until they are incurred. Out-of-state travel generally requires pre-approval from HHS. Conference fees and travel costs related to client transportation are generally reported in the Other cost category.

3.6.4 - Equipment

The Equipment budget category includes Equipment, Real Property, and Other Intangible Property. Purchases of property and equipment will be authorized by HHS within the budget of the contract between HHS and the grantee.

HHS grant contracts may require purchases of equipment to be initiated within a specified period of the contract term. Purchases not initiated within a specified period may result in the unavailability of grant funds for equipment unless a re-authorization is approved after a written request to HHS by the grantee. This request will document the continued need for the asset to be purchased to fulfill the program's objective(s).

The acquisition cost is the net invoice unit price of an item of equipment, generally including freight and shipping costs, the cost of any necessary modifications, attachments, accessories or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired.

See [Chapter 10 - Property Management](#).

3.6.5 - Supplies

The Supplies Cost category is comprised of two components, consumable supplies and controlled assets.

Table 2. Supplies Cost Category Details

Component	Example(s)
<p>Consumable items are necessary to fulfill the contract’s Statement of Work.</p>	<p>At any cost:</p> <ul style="list-style-type: none"> • medical supplies • pharmaceuticals • office supplies • patient educational supplies • software
<p>Controlled assets are tangible personal property having an acquisition cost of \$500 up to \$5,000 and all firearms acquired at any cost.</p>	<p>At any cost:</p> <ul style="list-style-type: none"> • firearms – rifles, shotguns, handguns <p>\$500.00-\$4999.99</p> <ul style="list-style-type: none"> • Sound systems and other audio equipment • Camera – portable, digital, SLR • TVs, video players/recorders • Smartphones, tablets, and other handheld devices • Computer/desktop/laptop • Data projectors

See also [Texas State Property Accounting System \(SPA\) User Guide](#) maintained by the Texas Comptroller of Public Accounts.

For more information regarding controlled assets see [Chapter 10.-Property Management.](#)

3.6.6 - Contractual

The Contractual cost category should include contracts for the provision of goods and services that are directly associated with carrying out the Statement of Work. This includes:

- subawards that delegate substantive portions of the Statement of Work or convey property to a sub-grantee; and
- contracts for the provision of goods or services directly related to carrying out activities in the Statement of Work to a contractor (e.g., lab services, physicians, radiology).

Contracts for the provision of goods or services that are not directly related to carrying out the HHS program (e.g., general and administrative services, maintenance, copier) are considered contractor contracts and are appropriately budgeted in the categories of Other costs or Indirect Costs.

See [Chapter 4 - Grantee Subawards and Contracts.](#)

3.6.7 - Other Direct Costs

All other allowable direct costs not listed in any of the above categories are to be included in the Other costs category. This includes general service contracts used by an organization.

Typical costs that may be budgeted in the other costs category are the grantee's share of:

- advertising directly related to the program activities specified in the contract's Statement of Work;
- data processing services;
- equipment repairs or service maintenance agreements (warranties);
- general and patient transportation;
- janitorial services;
- landscaping and exterminating services;
- postage and shipping;
- printing and reproduction expenses;
- registration fees;
- security services;
- space and equipment rental;
- training costs and speaker's fees;
- utilities and telephone expenses; and
- vehicle maintenance costs.

Some of the items above may be treated as indirect costs if documented and consistently applied throughout the organization.

Chapter 4 - Grantee Subawards and Contracts

Reference: [2 CFR 200.330-331](#) and [UGMS](#)

Grantees are responsible for the administration and financial management of all funds and materials received from HHS. Managing these funds may result in subawards with sub-grantees or contracts with contractors to accomplish grant tasks or objectives. A grantee with plans to enter into a subaward to delegate a significant portion of the scope of the project may be required to submit justification to HHS for the subaward process.

Grantees must not contract with an entity that is debarred, suspended, excluded, or ineligible for participation in Federal or state programs; and grantees are responsible to HHS for the performance of any subaward.

It is important for the grantee to recognize there are additional requirements to be fulfilled by the grantee if the grantee becomes a pass-through entity on a subaward. The diagram below presents an overview comparing the Federal and state grant award relationships.

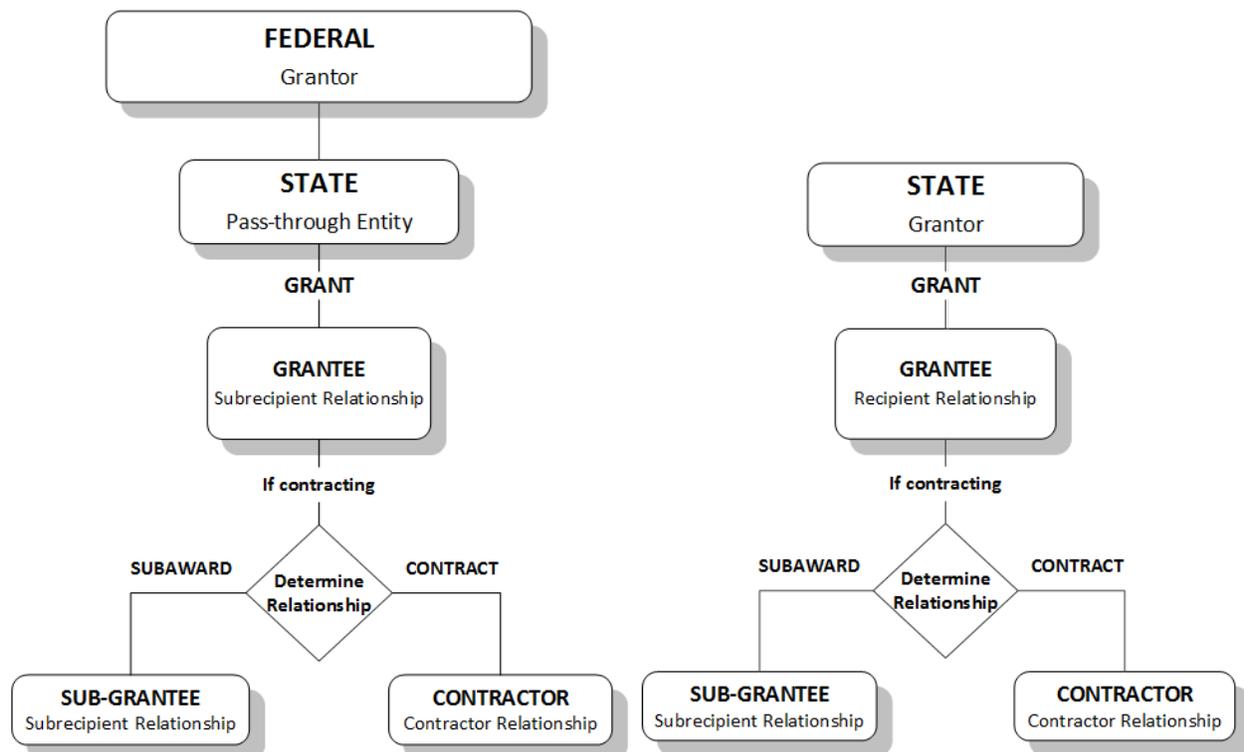


Figure 6. Comparison of Federal and state grant relationships

4.1 - Subrecipient or Contractor Determination

Grantees delegating a portion of the Statement of Work to an outside party must determine if the relationship is subrecipient or contractor. Grantees determining the relationship to be subrecipient resulting in a subaward will function as a pass-through entity.

Table 3. Subrecipient and Contractor Characteristics

Subrecipient	Contractor
(1) Determines who is eligible to receive what Federal assistance; (2) Has its performance measured in relation to whether objectives of a Federal program were met; (3) Has responsibility for programmatic decision making; (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.	(1) Provides the goods and services within normal business operations; (2) Provides similar goods or services to many different purchasers; (3) Normally operates in a competitive environment; (4) Provides goods or services that are ancillary to the operation of the Federal program; and (5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.
Use of judgment in making determination. In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.	

Documentation of this process must be maintained within the grantee’s records and will be subject to audit or monitoring procedures upon request by HHS or its representatives acting on behalf of HHS.

4.2 - Requirements of a Grantee with Subawards

When the relationship is determined to be a subrecipient the grantee assumes the following additional contract management responsibilities for the subaward:

- monitoring financial and program activity;
- reporting of program performance; and
- financial results.

A grantee acting as a pass-through entity must ensure every subaward is clearly identified as such in the contract document with the following information, but not limited to:

- Award Identification (Catalog of Federal Domestic Assistance (CFDA) and Federal Award Identification Number (FAIN) if Federal);
- all requirements imposed by the pass-through entity are incorporated according to regulations, terms, and conditions of the award;
- any applicable indirect cost rate; and
- procedures required at closeout per the terms and conditions of the subaward.

4.3 - Monitoring Program Performance

The grantee is responsible for oversight of operations funded with grants including financial and programmatic performance requirements. Activities must be monitored to ensure compliance with requirements when agreeing to accept grant awards.

A grantee serving as a pass-through entity must perform a risk assessment evaluating each sub-grantee's risk of noncompliance with statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate monitoring.

Requirements placed on the grantee serving as a pass-through entity extend to the sub-grantee. Those requirements provide the criteria the grantee utilizes to develop monitoring procedures. Monitoring of the subaward must include reviewing financial and programmatic information, documenting the results, and include follow-up on corrective action(s).

When non-compliances are identified, the grantee and sub-grantee should:

- document a corrective action plan addressing findings and issues pertaining to the award; and
- take and document timely action on all deficiencies detected through audits, on-site reviews, and other means pertaining to the award requirements.

4.4 - Financial Monitoring Requirements for Subawards

A sub-grantee is required to report performance outcomes to the grantee acting as a pass-through entity to ensure achievement of project objectives.

Information requirements must be collected as required by the terms of the contract no less frequently than annually nor more frequently than quarterly except in exceptional circumstances.

The grantee acting as a pass-through entity maintains pertinent records documenting the monitoring process, results, and outcomes. Such records are to be available for inspection by HHS and its authorized representatives according to the grant award document upon request.

Chapter 5 - Cost Allocation and Indirect Expense

Reference: [2 CFR 200.405](#), [2 CFR 200.56](#), Appendix [IV](#) & [V](#), and [UGMS](#)

Cost allocation is the process of apportioning expenditures which cannot be measured precisely because they are shared between different cost objectives. The cost allocation process is used when a single expense or group of expenses benefit more than one activity (cost objective) within the organization. Cost allocation is a method for estimating the equitable distribution of costs.

Allowable costs are allocable to a cost objective only to the extent it benefits the related purpose. The measure of the benefit is determined by the allocation base.

5.1 - Allocation Base

Costs should be allocated according to a measurable attribute or allocation base that serves to estimate the extent of the benefits received by each affected cost objective.

The allocation base should bear some logical relationship to the costs allocated. Selection of an allocation base should also consider the cost-benefit relationship and ease of calculation. An allocation base should provide a comparable benefit to each objective. One method is to use a static base such as square footage occupied by different programs, to apportion building occupancy costs of rent, utilities, insurance, etc.

Another method is to select a measure of business activity as a base to calculate relative benefits to the various objectives. For example, number of clinic visits may be used to allocate costs associated with those clinic services as long as the visits are of similar duration for different programs.

Example: A grantee has a clinic that provides tuberculosis (TB) testing and immunizations, each requiring approximately five minutes per visit. The nurse is paid \$4,000/month. The clinic provided 100 TB tests and 300 immunizations in May. The nurse's salary is allocated \$1,000 to the TB program and \$3,000 to the immunization program.

The allocation period should coincide with both the period in which the allocated costs were incurred and the period in which the base was measured. The allocation methodology and procedure should be reviewed periodically or whenever program operations change regardless of whether the method is static or activity-based.

5.2 - The Cost Allocation Plan

The Cost Allocation Plan (CAP) is a document that identifies the various costs to be allocated along with the methodology and the base used to allocate cost to each

program objective. A CAP is part of an organization’s documented accounting procedures tailored to its specific circumstances. Allocation elements cannot be changed without including the revisions to the Cost Allocation Plan.

A CAP must support all costs allocated to an HHS program. CAPs must include sufficient detail to support the allocated expenditures. The expenditures allocated must comply with the Cost Principles in 2 CFR 200 and support for the apportionment of those costs should include:

- the cost objectives to which costs are allocated (an organizational chart may help illustrate this);
- description of allocated costs and how they are pooled if at all;
- cost allocation method and base for each type of cost or pool; and
- other information as required by the contract or program guidance.

The description of allocated costs should include sufficient detail to provide assurance that specific costs are consistently treated as direct or indirect. Costs must be treated uniformly for all cost objectives without regard to funding source.

5.3 - Determining Direct or Indirect Costs

Table 4. Direct Costs and Indirect Costs Compared

Direct Costs	Indirect Costs
A direct cost is a cost that can be assigned to a specific cost objective(s) such as a program or project.	Indirect costs are those that have been incurred for a common or joint purpose and are not readily chargeable to a specific cost object.

Costs are determined as direct or indirect by the activity creating the cost rather than the type of cost. Direct costs can be clearly identified with a specific cost objective such as providing client services. Indirect costs are generally those that are incurred in the service of the entire organization (e.g., legal, executive, finance, board oversight, internal mail services). Salaries are a type of cost that can be either direct or indirect depending on the task(s) the employee performs.

Example: The accounting department of an insurance company may have one employee dedicated to producing claims checks. This activity is wholly for the benefit of the claims department and the employee’s entire salary can be charged to the department as a direct expense. The remainder of the accounting department salaries (purchasing, payroll, financial reporting, etc.) benefit the entire organization and may be charged as indirect expense to all benefitting departments, including the claims department.

5.4 - Charging Direct Costs

Direct costs can always be assigned to a specific cost objective but the relative benefit may not always be measurable. Direct costs may be charged in whole as a direct expense or assigned using an allocation process depending on circumstances.

Table 5. Direct Costs Detailed

Method	Description	Assigned Directly?
Direct Charge	Cost charged in whole without estimating	Yes - through direct assignment.
Direct Allocation	Cost distributed using an allocation process	No - must use an allocation base to estimate the relative benefit.

Example: An employee performs work for two different programs. The value of actual time worked may be charged directly or allocated depending on the details of actual work activity.

Option 1: The employee accurately records the hours worked on each program, providing actual hours to be directly charged to a specific cost objective.

Option 2: The employee cannot determine the actual hours worked on each program, creating the need for an allocation estimating the relative benefit of the time worked to each cost objective.

5.5 - Indirect Cost Allocation

Indirect costs are apportioned through an allocation process or a predetermined Indirect Cost Rate because they are shared. The benefit to programs measured by cost can be estimated and distributed with an allocation process. Any organization with more than one grant has some form of shared cost that will always include indirect cost.

A specific cost may be appropriately allocated using different methods depending on actual circumstances. The example below demonstrates how two organizations can apportion a cost using different methodologies.

Example: Where Organization A's Human Resources (HR) department provides standard HR services (benefits, training, and policy development) for all employees. The cost may be allocated based on employee count because the benefit received to each employee is essentially the same.

Example: Where Organization B's HR department provides standard HR services for all employees and additional services to management for recruitment activities. It may be more appropriate to allocate the cost based on the

percentage of total direct salaries for each employee because the benefit received by management is more than the benefit of standard HR services to all employees.

5.6 - Cost Pools

A cost pool is used to accumulate costs related to a specific benefit. Cost pools may be called temporary cost centers because 100% of the accumulated costs are transferred through allocation to the benefitting cost objectives during period closeout. Occupancy costs are typically pooled as those costs provide the specific benefit of workspace to the different programs.

The allocation base used for the cost pool should enable the measurement of the benefit provided by the costs. The costs in the pool will always be allocated with the same base. An allocation base of square footage supports the logical measurement of occupancy cost.

5.7 - Indirect Cost Rate Proposals and De Minimis Indirect Cost Rate

HHS will recognize a Federally approved indirect cost rate agreement, recognize the 10% *de minimis* rate for qualifying entities, or may consider negotiating a rate directly with the grantee. The Indirect Cost Rate Proposal is the documentation to substantiate a request for the establishment of an appropriate indirect cost rate agreement.

A grantee may submit an Indirect Cost Rate Proposal to their Federal cognizant agency for approval. Upon approval, the grantee must use the established indirect cost rate for all grants regardless of funding source.

Qualifying entities may charge a 10% *de minimis* indirect cost rate without specific documentation. The rate is calculated as a percentage of Modified Total Direct Cost (MTDC). Any non-Federal entity that has never received indirect cost reimbursement may be eligible to use the 10% *de minimis* rate. If the *de minimis* option is selected, it must be used for all grants with federal funding.

Table 6. Modified Total Direct Cost (MTDC) Details

MTDC includes:	MTDC excludes:
<ul style="list-style-type: none"> • direct salaries and wages • applicable fringe benefits • materials and supplies • services • travel • subawards (portion up to \$25,000) • contractor contracts (portion up to \$25,000) 	<ul style="list-style-type: none"> • equipment • capital expenditures • participant support costs • subawards (portion in excess of \$25,000) • contractor contracts (portion excess of \$25,000)

5.8 - Central Service Cost Allocation Plan (CSCAP)

Governmental entities that do not have a rate agreement approved by their Federal cognizant agency may prepare a CSCAP, a specific type of CAP. Individual operating agencies normally charge grant contracts for indirect costs via a fixed indirect cost rate. The rate must be supported and documented to explain the rate's determination.

A governmental entity using a CSCAP is required to submit the plan to its cognizant agency annually. All proposed plans must be accompanied by:

- an organization chart sufficiently detailed to show operations including the central service activities;
- a copy of the Comprehensive Annual Financial Report to support the allowable costs of each central service activity included in the plan;
- a certification that the plan was prepared according to 2 CFR 200 Appendix V; and
- for each allocated central service, a brief description of the service, the unit rendering the service, the operating agencies receiving the service, the items of expense included in the cost of the service, and the method used to distribute the cost of the service to benefitted agencies.

5.9 - Public Assistance Cost Allocation Plan (PACAP)

Grantees that choose to allocate administrative costs (where applicable) to contracts administered or supervised by state public assistance agencies with a Public Assistance Cost Allocation Plan (PACAP) should review 2 CFR 200 Appendix VI or contact the contract manager for clarification.

Chapter 6 - Program Income

Reference: [2 CFR 200.307](#) and [UGMS](#)

Program income is defined as income generated by an HHS program-supported activity or earned as a direct result of the contract during the contract period. Program income is to be used as an offset to reduce allowable program expenses for the same period in which it was generated. This offset should be used before requesting payment or adding to the award and requires prior HHS approval.

Program income may include, but is not limited to:

- fees or co-pays for services performed;
- income from the sale of items fabricated under the contract;
- sales of services such as laboratory tests;
- cash donations contributed by clients served by the program;
- revenues received from third-party payers, including payments for medical services from insurance companies; and
- reimbursements from Medicaid and Medicare.

Another source of program income is interest income earned on loans made with grant funds where authorized. UGMS states other interest income in excess of \$250 earned on state grant funds is considered program income. Interest earned in excess of \$500 per year must be remitted annually to the Department of Health and Human Services.

Items sometimes mistaken for program income that should be treated as applicable credits include:

- rebates,
- adjustments/credits,
- discounts, and
- refunds.

Other interest income earned on Federal grant funds, such as funds paid in advance of disbursement by the grantee, is not considered program income.

6.1 - Required Documentation

Program income must be recorded in the grantee's general ledger in the period received in a cost center or unique account that is identifiable to the program or activity generating the income. Supporting documentation should be sufficiently detailed to identify the source and application of funds.

6.2 - Program Income Allocation

Program income earned as a result of a grant activity jointly funded by HHS and non-HHS funding sources, such as local government funds or other grant resources, should be allocated to the HHS and non-HHS sources at the same relative percentages of the funding sources provided.

6.3 - Program Income Restrictions

Restrictions on the portion of program income attributable to HHS:

- purposes;
- may not be used to supplant state or local funds;
- is not transferrable and cannot be used to provide services or fund activities for other grants or non-grant activities; and
- cannot be used on subsequent periods of the grant award.

Program income generated after the period of performance may be subject to additional contract requirements.

Chapter 7 - Match

References: [2 CFR 200.306](#), [2 CFR 200.404-407](#), and [UGMS](#)

Match is the portion of a program's allowable cost not borne by HHS. Federal and state agencies often fund a sponsored activity at less than the full cost with the necessity that the grantee will provide a portion of the total funding needed. This method of financing, generally referred to as cost sharing, imposes an obligation on the grantee to provide a specified portion of funding to accomplish the program activities. The required match amount may be expressed as a dollar value or as a percentage of the program funding provided by HHS.

7.1 - Cost Allowable as Match

Any allowable expenses used to fulfill program requirements can be used as match if not reimbursed. Costs incurred or contributions used to satisfy match requirements must meet all the same criteria as reimbursable expenses and at minimum must:

- be an allowable cost;
- be necessary and reasonable to accomplish the program objectives;
- be adequately documented in the grantee's records;
- not cause expenses to exceed applicable categorical limits; and
- not be reimbursed by another award, or claimed as match toward any other program (unless specifically permitted).

7.2 - Match Requirement Calculation

Grantees must ultimately provide match at the ratio indicated in the contract. The required match is based on the actual program expense rather than the budgeted amount.

$$\boxed{\text{Grantee's Share of Program Funding}} \div \boxed{\text{HHS Share of Program Funding}} \times 100 = \boxed{\text{Match \%}}$$

Figure 7. Formula to calculate match percentage

The match percentage calculated above must be achieved as per the time schedule in the contract or by the end of the contract term. An unfulfilled match requirement may require a correction to be imposed by HHS. Corrections may

include voucher reductions or refunds from the HHS grantee until the required level of match is met.

7.3 - Match Requirements

Requirements for match can be fulfilled through expenditures of a grantee’s cash resources or in-kind contributions, unless specifically prohibited. An item of cost or in-kind contribution used to fulfill a match requirement must comply with the same statutes, rules, regulations, contract terms, and guidelines applicable to any other allowable program expense.

Table 7. Match Explained

Cash Match	In-kind Match
<ul style="list-style-type: none"> • must be paid by the grantee • value is actual cost incurred 	<ul style="list-style-type: none"> • must be donated by a third party • value is independently-assessed market value

7.3.1 - Cash Match

Unreimbursed expenses for qualified goods or services paid by the grantee can be used as cash match, including expenses funded by donations from a third party.

Expenditures reported as cash match must be incurred during the contract term and be recorded in the program’s cost center. Unreimbursed indirect expenses can be used as cash match with prior approval by HHS.

7.3.2 - In-kind Match

Donated goods or services received at no cost by a grantee can be used as in-kind match. Costs used as in-kind match must be an allowable cost for the program, documented in auditable records, and used during the contract term.

In order for the value of goods or services to be claimed as in-kind match, the donor organization must intend them as a contribution and must not ordinarily provide those goods or services for free.

Example: A community center has an established practice of charging and collecting a fee from outside organizations for the use of space in its facility. The center provides space to a grantee free of charge as an intended contribution. The customary fee waived by the center for the space could be used as in-kind match.

Example: A church routinely provides space for free to outside organizations. The church provides space to a grantee free of charge. There is no basis for claiming an in-kind contribution.

There are some organizations that do not require payment for some of the services they provide. Media outlets provide public service announcements without charge making these announcements ineligible as match.

7.4 - Determining and Documenting the Value of Donations

Donated goods or services claimed as in-kind match must be documented exactly like paid program expenses including sufficient support to establish the value. A donation from an entity that sells or provides the same goods/services to the public should be supported by the entity's customary invoice whenever possible. Donation documents should contain the information normally found in an invoice which describe the goods/services provided, including the quantity and unit cost.

The Fair Market Value (FMV) must be established when a grantee receives a donation from an entity that does not normally sell or provide the donated goods/services to the public. The contribution's FMV should be based on an independent assessment. Third-party appraisals or published prices are acceptable forms of documentation. Contracts may include additional documentation requirements.

Discounts and rebates that a merchant offers to all buyers do not qualify as in-kind match.

7.4.1 - Valuation of Donated Services and Volunteer Workers

The valuation of a donated service is based on the actual service being donated. The rate of pay a volunteer receives at paid employment has no bearing on the determination of the value of the donated service. Documentation should be on file to describe the service being performed and to justify the basis of the valuation of the volunteer service, including the calculations involved.

Example: A physician volunteers to mow the lawn at a grantee's facility. The physician's efforts are valued at the local rate for lawn care services.

In determining the value of donated service the amount claimed will be considered reasonable to the extent that it is consistent with the value of the wages and benefits of similar work or service performed within the organization.

Example: A grantee pays an accountant \$40/hr for general accounting duties. An accountant volunteers to perform accounting duties. The volunteer accountant's services would be valued at \$40/hr plus applicable fringe benefit costs.

If the grantee does not have staff performing the type of service being donated, the amount claimed should be comparable to that paid for a similar service in the grantee's labor market.

7.4.2 - Valuation of Donated Space (title retained by donor)

The valuation of contributed space by an owner who leases property to the public should be supported by a lease agreement. A discounted market value should be supported with a copy of a recent lease for a similar building or space.

A contribution for the use of property/space by an organization or individual that does not customarily lease property to the public should be supported by a document that includes the hourly, weekly, or monthly rate being charged for the use of the building or office space. The description of the property should include the square footage of the building or office space provided.

Documentation should be on file to justify the monetary basis of the lease agreement or discounted lease agreement. Justification of the value should be objectively documented with, but not limited to:

- a copy of a recent lease for the same building or space that is being donated;
- quotes from realtors for similar buildings or space in the same area and in relatively the same condition as the building or space that is being donated; and
- an independent realtor's assessment or report as to the market value of the building or space being donated.

7.4.3 - Valuation of Real Property and Donated Depreciable Personal Property

Donated property involving title transfer to the grantee is treated the same as any other property owned by the grantee. Depreciation is the only expense that can be claimed as match on real property or depreciable personal property per 2 CFR 200.

A grantee cannot claim the rental value of real property that it owns or the FMV of depreciable personal property as match. Depreciation is treated as a cash expense.

Donations of depreciable personal property should be documented in inventory the way it would be for a depreciable personal property purchase (including the make, model, serial number, etc.). Documentation of used items must also include information such as the item's age, condition, and useful-life-estimate to support the determination of the FMV of the item on the date of the contribution. Available documentation of the original cost and prior depreciation may be useful to support expenses.

Chapter 8 - Reimbursements

Reference: [2 CFR 200.305](#) and [UGMS](#)

8.1 - Reimbursement Requests

Methods for submitting reimbursement requests can vary with each HHS contract. Specific requirements for payment requests are stated in the contract. HHS grantees can be reimbursed for allowable direct costs only to the extent incurred, regardless of payment method (e.g., cost reimbursement, fee-for-service, fixed amount).

HHS grantees required to request payment using a State of Texas Purchase Voucher are required to bill monthly by the last business day of the month following the end of the month covered by the bill, unless otherwise stated in the contract. Some requests for payment may require billing tasks to be processed through the HHS electronic contract system or clinical management systems.

The voucher requesting payment and any other applicable support documentation can be submitted via facsimile, email, or USPS. Grantees should submit requests for payment using a consistent method.

Grantees may contact the claims processing unit with any questions about the receipt of a voucher.

All vouchers should include:

- the document number (e.g., invoice number)
- contract number,
- purchase order number, and
- HHS program name.

Vouchers that do not reflect this information may be returned to the grantee unpaid. Grantees are recommended to submit timely vouchers as specified.

8.2 - Timely Reimbursements

A grantee receiving reimbursement from HHS must minimize the time elapsing between the transfer of funds from HHS to sub-grantees or contractors.

8.3 - Payment Holds

HHS may temporarily or permanently withhold payments from a grantee for failure to comply with contract provisions.

8.4 - Financial Reporting

Financial reporting is required to be reported to HHS at least annually and not more frequently than quarterly, except in unusual circumstances. Dates covered by the financial reporting and the due dates for submission are described in the contract.

Each grantee must report the final financial results as part of the closeout process on each contract. The final report is to be submitted at the end of the applicable contract term or by a due date included in the contract.

8.4.1 - Submission of Financial Report

Financial report submission requirements may vary and may include instructions in the contract unique to a particular program.

HHS stresses the importance of submitting financial reports on a timely basis. Failure to submit timely reports may delay the issuance of payments or result in penalty as specified in the contract.

Chapter 9 - Disallowances and Overpayments

References: [2 CFR 200.344](#), [2 CFR 200.419](#), and [UGMS](#)

Funds must be expended and accounted for in accordance with contract terms, Federal and state laws, rules and regulations. The results of a financial review or audit may disclose payment of costs that are later determined to be unallowable or improperly charged to HHS. The Federal awarding agency or pass-through entity has the right to disallow costs and recover funds on the basis of a later audit or other review. Errors made by HHS in processing payment requests may result in an overpayment of contract costs which require a refund after the contract term. Disallowances must be adjusted and refunded to HHS.

9.1 - Disallowances

A disallowance occurs when an expense is later determined to have been improperly charged to HHS and the payment is subject to refund or adjustment. Disallowances may result from:

- unallowable expenses,
- over charges,
- improper allocation,
- duplicate billing,
- charges billed to more than one grant,
- unsupported expenses, and
- mistakenly billed charges.

The grantee's financial records and systems are subject to financial review or audit by HHS or its duly authorized representatives. The results of the review or audit may disclose payments that result in disallowances. A disallowed cost may be recovered by HHS through an adjustment to a request for payment or a refund from the grantee.

Table 8. Disallowance Resolution Methods

Discovery Point	Method of Resolution
During the term of the contract	Disallowed costs previously paid by HHS may be resolved by an offsetting adjustment to a subsequent voucher. HHS will notify the grantee of any adjustment made to the payment.
Final voucher submitted to HHS but prior to payment	Final payment will be adjusted by HHS for the disallowed amount.
Final voucher paid by HHS	Disallowed amount must be repaid to HHS as a cash refund.
Disallowances identified after contract closeout	HHS is authorized to recover funds on the basis of later audit or review. Contractor is obligated to refund to HHS.

HHS may require the submission of a replacement voucher or other documentation to support a payment disallowance resolution resulting in a refund or reduction of payment.

9.1.1 - Duplicate Billing

Duplicate billing occurs when a grantee bills HHS for the same cost or service more than once or bills HHS and another non-HHS funding source for the same cost.

Only costs incurred for providing authorized HHS grant program activities may be charged to HHS. Allocated costs must not be included as a cost of any other HHS program or non-HHS funding source. Allowable costs of a HHS-funded activity that are funded by two or more funding sources must be properly apportioned in the grantee’s financial accounting system. Grantees must ensure that costs billed to each funding source are accurately recorded in the general ledger to prevent duplicate billing for the same expenditure.

Duplicate billing can also occur when the costs for a program are reimbursed under a unit rate or fee-for-service grant award but are also included in the operating costs reported for a categorical budget cost reimbursement grant award. A separate cost center must be maintained within the general ledger for each grant award in order to identify costs applicable to each grant program. Any incidence of duplicate charges will require correction through repayment to HHS as either an adjustment to subsequent invoices or submission of repayment to HHS.

9.2 - Overpayments

Reconciliations of cumulative costs and program income to amounts reimbursed may disclose incidences of payment(s) by HHS to the grantee in excess of cumulative costs reported. Such overpayments may be handled by reducing the amount of a subsequent billing or repayment by grantee as directed by the contract.

Chapter 10 - Property Management

Reference: [2 CFR 200.313](#) and [UGMS](#)

Grant funds may be authorized by HHS for use by the grantee to purchase real property, equipment, or other intangible property as needed to support the objective(s) of the grant award. Subsequent changes to the Equipment cost category may require documented approval by HHS. Some contracts may place additional specific restrictions on these types of purchases.

Grantee is subject to the authorizations, limitations and requirements specified within the executed contract, 2 CFR 200, and UGMS as applicable. UGMS requires that Controlled Assets be recorded in the grantee's inventory system.

Controlled assets items are similar to equipment but with acquisition cost less than \$5,000 and can be at risk of loss or misuse due to access, ease of conversion to non-HHS use, and additional risks (see [3.6.5](#) - Supplies for additional information).

10.1 - Title to Property

Title to the property and equipment is held by Grantee during the term of the contract. At the end of the contract term HHS retains the rights to title of the property, equipment, and to the proceeds from the sale of such property at disposition if disposition is authorized by HHS to the Grantee.

10.2 - Property Records

Property records must be maintained for property and equipment funded or property provided by grant funds. Property records are to include inventory information as follows:

- description of the property;
- manufacturer's serial number if it has one or other identification such as an inventory tag number issued by grantee;
- source(s) of funding including the Federal Award Information Number(s) (FAIN);
- name of entity holding title;
- acquisition date;
- cost of the property;
- percentage of Federal or state participation in the acquisition cost personal property;
- physical address of location where the item is housed;
- status of the item's current use and condition; and

- ultimate disposition data including date of disposal and sale price of the property.

10.3 - Property Use

Property and equipment purchased with HHS funds must be necessary and essential to the successful operation of the HHS program and reasonable in cost. The real property and personal property must be used by the HHS program for which it was acquired and cannot be used for any other purpose that will hinder the HHS program in reaching its purpose. Property and equipment acquired with HHS grant award funds may be available for use on other HHS projects or programs provided such use will not interfere with the work on the projects or program for which it was originally acquired.

10.4 - Protection of Property

A system of control should be established to ensure adequate safeguards against loss, damage, or theft of property or equipment provided or purchased using HHS grant award funds to assure the availability and usefulness of the remaining life of the asset. Any loss, damage, or theft of property must be investigated. Grantees should maintain and repair property or equipment provided by or purchased with HHS grant funds to ensure it remains in good condition and available for use.

10.5 - Disposition of Property

Grantees should ensure that disposition of property or equipment is in accordance with Generally Accepted Accounting Principles (GAAP) and any applicable Federal and state guidance. Property or equipment should be considered for disposition action when the item:

- is no longer needed to perform services under an HHS grant contract; and
- has become inoperable in instances where repair costs exceed the equipment's worth to the grantee or HHS.

The grantee should communicate with the contract manager or point-of-contact regarding property disposition.

10.6 - Expiration or Termination of Contract

Expiration or termination of the HHS grant contract for any reason will result in the title to property or equipment provided with any HHS funding to revert to HHS. HHS may opt to transfer title to any other party designated by HHS. HHS may transfer the reversionary interest to property or equipment to grantee provided compensation is made to HHS of the Fair Market Value (FMV).

HHS authorization may allow the grantee to sell property requiring establishment of sales procedures to ensure the highest possible return to reflect FMV of the property. Methods used by the grantee to determine per-unit FMV must be documented and may be reviewed by HHS or its representatives upon request.

Appendix A - Glossary

Acquisition Cost	Cost to acquire an asset including freight and make-ready costs. Make-ready costs can include the cost of installation, modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.
Administrative Cost	An expense incurred in controlling and directing an organization, but not directly identifiable with marketing, or production operations; also referenced as general and administrative expenses.
Allocation Base	A measure of business activity or fixed value that is used to allocate costs to cost objects (e.g., clinic visits or square footage).
Allowability	Determination of a cost that permits its inclusion in a contract, and depends on (1) its reasonableness, (2) its allocability, (3) provisions of Generally Accepted Accounting Principles (GAAP), (4) practices appropriate under the circumstances, and (5) terms of the contract.
Applicable Credits	Receipts or other adjustments that offset or reduce expenses that would otherwise be reimbursable to a grantee. Applicable credits include, but are not limited to: purchase discounts; rebates and allowances; recoveries or indemnities on losses; and refunds and adjustments.
Bad Debts	Receivables that have been declared to be uncollectible and are written off (i.e., the assets are converted to expenses in the general ledger).
Capitalization Level	As used here, it refers to the amount, above which the grantee's policy requires the equipment to be recorded as a capital asset on their books (resulting in the cost of the item being captured through depreciation).
Cash Match	A commonly used term referring to unreimbursed expenses paid by the grantee and claimed as match.
Cognizant Agency	Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed on behalf of all Federal agencies

Contract Term (or Contract Period)	Period of time beginning with the effective date of a contract and ending when the contract expires in accordance with its terms, or when it has been terminated. The contract term includes additional extension or renewal periods that have actually been exercised.
Contractor	An entity receiving grant funds for goods or services that do not constitute performing program activities in a way that would cause them to be a recipient or subrecipient.
Controlled Assets	Controlled assets are described in Uniform Grant Management Standards (UGMS) and identified by the Comptroller's office (see Texas State Property Accounting System (SPA) User Guide for the most current listing). A controlled asset generally includes electronic equipment and has a value between \$500 and \$4,999.99, or the grantee's capitalization level, must be maintained in grantee's inventory system. Firearms of any value are controlled assets.
Cost(s)	Monetary value of economic resources used in performing an activity.
Cost Allocation	The accounting process of distributing organizational expenses that cannot be assigned precisely to the cost objectives that benefit from the expenses. Allocation is a process to estimate the equitable distribution of cost and distribute it in the general ledger.
Cost Allocation Plan	A document that identifies the various costs and cost pools being allocated and the base used to allocate each.
Cost Center	A defined group of accounts in the general ledger containing only costs for a specific cost objective.
Cost Objective	An organizational purpose or activity like a project, program or product.
Cost Pool	A group of expenses that can be allocated with the same base pooled together to be allocated as one cost (e.g., rent, utilities, maintenance and building insurance are all building costs).
De Minimis	As used here it is a de facto minimum—a rate small enough to be assumed.
Direct Allocation	A direct cost that is distributed through allocation.
Direct Cost (or Expense)	A cost that can usually be measured exactly and attributed directly to one or more cost objectives.

Disallowance	A payment made by the HHS system to a grantee that is found to be improper or unallowable.
Equipment	Tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000.
Fair Market Value (FMV)	An estimate of the value of a good or service, based on what a knowledgeable, willing, and independent buyer would pay to a knowledgeable, willing, and unrelated seller in the market in which the grantee competes.
Financial Statements	Financial statements (or financial report) is a formal record of the financial activities and position of a business, person, or other entity.
Generally Accepted Accounting Principles (GAAP)	The standards and rules that organizations are generally required to follow when compiling financial data for audit and presentation. These standards and rules are primarily set by the AICPA (American Institute of Certified Public Accountants), FASB (Financial Accounting Standards Board) and GASB (Governmental Accounting Standards Board).
General Ledger	A record containing all accounts for recording transactions relating to a company's assets, liabilities, owners' equity, revenue, and expenses (and the transactions associated with each).
Grantee	An entity that meets one or more of the following conditions: (1) funds are provided under a program of the State of Texas; (2) the System Agency is acting as a pass through entity under a program awarding Federal funds; or (3) the grant includes both state and federal funds.
Gross Income	Income earned by the grantee, net of unreimbursed costs incidental to the generation that income.
GTAG	Grant Technical Assistance Guide
Indirect Allocation	The apportionment of indirect cost through a cost allocation process.
Indirect Cost (or Expense)	Costs that have been incurred for a common or joint purpose and are not readily chargeable to a specific cost object (commonly costs that benefit the entire organization). Indirect expense can only be charged to cost objectives through an allocation process.

Indirect Cost Rate	A rate for charging indirect cost—generally a percentage of direct cost or Modified Total Direct Cost (MTDC).
In-kind Match	A commonly used term referring to the market value of goods or services donated by a third party and used to carry out program objectives.
Intangible Property	Intangible property means no having physical existence such as trademarks, copyrights, patents, etc.
Internal Controls	Processes, policies, procedures, and activities used by management to help an entity achieve its objectives of operational effectiveness and efficiency, reliable reporting and compliance with laws and regulations.
Match	Unreimbursed, allowable program expense.
Modified Total Direct Cost (MTDC)	Generally the direct cost assigned to a cost objective, less equipment, capital expenditures, participant support costs, patient care costs, rental costs, educational support costs, and a portion of each subcontract or subaward. A more specific definition may be specified in the contract.
Participant Support Costs	Direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.
Pass-through Entity	Pass-through entity means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a program.
Period of Performance	Generally, the period of performance coincides with the contract term. Exceptions will be specified in the contract.
Personal Property	Personal property, tangible or intangible, means property other than real property.
Program Incentive (for clients)	Something of value given to clients as an incentive to participate in the program (e.g., gift cards). These must be specified in the contract to be allowable.
Program Income	Gross income generated by an HHS program-supported activity or earned as a direct result of the contract during the contract period.
Property	Real or personal property.

Property Record	Record that contains information about property like description of property, model no., serial no., acquisition date, acquisition costs, location, useful life, funding source etc.
Recipient	A non-Federal entity participating to carry out an activity under a State of Texas program.
Subaward	An award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.
Subrecipient	Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other awards.

Appendix B - References

The following references the most significant topics covered in each chapter of the GTAG but is not an exhaustive list of references supporting each chapter.

Chapter 2 -Financial Administrative Systems Requirements Topics	2 CFR 200 Reference	Notes
Financial management	<u>§200.302</u>	
Internal controls	<u>§200.303</u>	

Chapter 3 - Cost Principles and Allowable Costs Topics	2 CFR 200 Reference	Notes
Financial management	<u>§200.302</u>	
Internal controls	<u>§200.303</u>	
Adequate Documentation	<u>§200.400</u>	
Allowability	<u>§200.403</u>	
Composition of Total Cost	<u>§200.402</u> , <u>§200.412</u>	
Consistent Treatment	<u>§200.403</u>	
Cost Principles	<u>§200.401</u>	
Equipment	<u>§200.33</u> , <u>§200.313</u>	
Determining Net Cost (Applicable Credits)	<u>§200.406</u>	
Determining Reasonableness	<u>§200.404</u>	
Financial reporting	<u>§200.327</u>	
Fringe Benefits	<u>§200.431</u>	
Limitation on Meal Cost	<u>§200.432</u> , <u>§200.438</u>	
Monitoring and reporting program performance	<u>§200.328</u>	
Personnel	<u>§200.430</u>	
Prior Written Approval	<u>§200.407</u>	
Supplies	<u>§200.94</u> , <u>§200.314</u>	Controlled assets are not mentioned in UGG, but are discussed in UGMS: (Inventory) -.32D (3)
Travel Costs	<u>§200.474</u>	For state-only-funded grants, you may also wish to check UGMS Part II, Attachment B, Section 43.

Chapter 4 - Grantee Subawards and Contracts Topics	2 CFR 200 Reference	Notes
Requirements for Pass-Thru Entities	§200.331	Requirements for recipient or subrecipients that sub-contract program activities
Subrecipient and Contractor Determinations	§200.330	

Chapter 5 - Cost Allocation and Indirect Expense Topics	2 CFR 200 Reference	Notes
Allocation Bases	App IV, B.3.c	
Allocation Base Method	App IV, B.3	
Cost Allocation Plan	§200.27	
Cost Pools	App IV, B.3.b	
Cost Objective	§200.28	
Direct Allocation Method	App IV, B.4	Method where Indirect cost is allocated, rather than charged as a rate (in this case, Indirect cost is called General Administration and general Expenses)
Direct costs	§200.413	
General Requirements for cost allocation plans – Govt Entities	App V	
Indirect costs	§200.56, §200.414	
Indirect Cost Allocation – General (Nonprofits)	App IV, B.1	
Indirect Cost Assignment – General (Nonprofits)	App IV, A	
Indirect cost rate proposal	§200.57	
Intermediate cost objective	§200.60	
Modified Total Direct Cost (MTDC)	§200.68	
Multi-step or Cross Allocations	App IV, B.3.d(2)	

Chapter 6 - Program Income Topics	2 CFR 200 Reference	Notes
Period of Performance	§200.77 §200.309	
Program Income	§200.80 §200.307	

Chapter 7 - Match Topics	2 CFR 200 Reference	Notes
Allocable Costs	§200.405	
Applicable Credits	§200.406	
Cost Sharing or Matching	§200.29, §200.306	
Factors Affecting Allowability of Costs	§200.403	
Prior Written Approval	§200.407	
Reasonable costs	§200.404	

Chapter 8 - Reimbursements Topics	2 CFR 200 Reference	Notes
Closeout	§200.343	
Final Report Due	§200.343	
Financial Reporting	§200.327	
Payment and Repayment	§200.305	
Property Record	§200.306D (1)	
Reimbursement	§200.305 (b), (b)(3)	

Chapter 9 -Disallowances and Overpayments Topics	2 CFR 200 Reference	Notes
Disallowance	§200.344, §200.407	
Overpayments	§200.419 (b)(4)	

Chapter 10 -Property Management Topics	2 CFR 200 Reference	Notes
Acquisition Costs	§200.2	
Controlled Assets	---	Controlled assets are not mentioned in UGG, but are discussed in UGMS: (Inventory) -.32D (3)
Equipment	§200.33, §200.313	
Intangible Property	§200.59, §200.315	
Property Records	§200.313 (d)(1)	
Protection of Property	§200.313 (d)(3)	
Personal Property	§200.78	
Real Property	§200.85	
Title to Property	§200.311, §200.312	

Appendix C - Certificate of Central Service - Cost Allocation Plan

Instructions

This is an optional form that may be used for an orderly presentation of the required certification for a Central Service Cost Allocation Plan. This form includes all of the required factors necessary for the certification as specified by 2 CFR 200 but is not specifically required by HHS.



Grant Technical Assistance Guide

Certificate of Central Service - Cost Allocation Plan
(for use by governments only)

Section 1: Governmental Unit Information	
Governmental Unit Name:	
Address:	
Address:	
Address:	
Phone Number:	

Section 2: Cost Allocation Plan Details				
Proposal Date:				
Effective Period	From:		To:	
Rate (%):				

Section 3: Certification of Cost Allocation Plan			
<p>This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:</p> <p>(1) All costs included in this proposal to establish cost allocations or billings for the period identified above are allowable in accordance with the requirements of this Part and the Federal award(s) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.</p> <p>(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the Federal awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.</p>			
<input type="checkbox"/> I declare that the foregoing is true and correct.			
Signature:		Date of Execution:	
Printed Name of Official:			
Title of Official:			

Appendix D - Certificate of Indirect (F&A) Costs

Instructions

This is an optional form that may be used for an orderly presentation of the required certification for a Certificate of Indirect (F&A) Costs. This form includes all of the required factors necessary for the certification as specified by 2 CFR 200 but is not specifically required by HHS.



Grant Technical Assistance Guide

Certificate of Indirect (F&A) Costs
(for use by nonprofit organizations)

Section 1: Nonprofit Organization Information

Nonprofit Organization Name:	
Address:	
Address:	
Address:	
Phone Number:	

Section 2: Indirect (F&A) Cost Proposal Details

Proposal Date:				
Effective Period	From:		To:	
Rate (%):				

Section 3: Certification of Indirect (F&A) Costs

This is to certify that to the best of my knowledge and belief::

- (1) I have reviewed the indirect (F&A) cost proposal submitted herewith;
- (2) All costs included in this proposal to establish billing or final indirect (F&A) costs rate for are allowable in accordance with the requirements of the Federal awards to which they apply and with Subpart E - Cost Principles of Part 200.
- (3) This proposal does not include any costs which are unallowable under Subpart E— Cost Principles of Part 200 such as (without limitation): public relations costs, contributions and donations, entertainment costs, fines and penalties, lobbying costs, and defense of fraud proceedings; and
- (4) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the Federal awards to which they are allocated in accordance with applicable requirements.

I declare that the foregoing is true and correct.

Signature:		Date of Execution:	
Printed Name of Official:			
Title of Official:			