



NEVADA COUNTY

CALIFORNIA

OFFICE OF THE AUDITOR- CONTROLLER

EXHIBIT A

NEVADA COUNTY ALLOWABLE COST POLICY FOR FEDERAL ASSISTANCE SUBJECT TO 2 CFR PART 200

Effective July 9, 2024

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A. POLICY STATEMENT

The County of Nevada is committed to ensuring that all cost allocations (either in the form of a labor distribution adjustment or non-salary journal entry) are appropriate and are conducted in accordance with sponsor terms and conditions as well as regulations. The Auditor-Controller's Office has the authority to approve or reject cost transfers based on allowability and reasonableness.

B. REASON FOR POLICY

The Federal Government is a major sponsor of externally funded activity at the County of Nevada. The cost principles relating to expenditures on federal awards are contained in the Office of Management of Budget's (OMB) 2 CFR part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). These cost principles require that any expense charged to a federally sponsored project be reasonable and necessary, allocable, consistently treated, and conform to any limits or exclusions set forth in Uniform Guidance or the terms and conditions of the award. In addition, individual awards may include special terms and conditions, which must be considered before allocating certain costs to the award.

This document outlines the general procedure for determining allowable costs on federally sponsored awards. The goal of this document is to provide clear guidance as to what costs constitute appropriate direct and indirect charges to sponsored projects as well as to achieve consistency in charging practices across the County.

Please refer to the following sources for additional information.

Web Address for the OMB Federal Financial Management: <https://www.whitehouse.gov/omb/office-federal-financial-management/>

Web Address for eCFR 2 CFR part 200: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

Consult with the applicable department representatives or individuals from the Auditor-Controller's Office for more details.

C. WHO NEEDS TO KNOW THIS POLICY

Any Nevada County employee who is involved with the administration of Federally sponsored agreements should be familiar with this policy and the requirements of Uniform Guidance. This includes central and departmental sponsored project administrators, department/agency heads,

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fiscal and administrative staff, Auditor-Controller's Office staff, and other program personnel who are involved with sponsored awards.

D. DEFINITION OF DIRECT AND INDIRECT COSTS

Direct Costs are expenses that are specifically associated with a particular sponsored project that can be directly assigned to such activities relatively easily with a high degree of accuracy. Common examples of direct costs include program staff salary and fringe benefits, technical equipment, customer care costs, subcontract costs, travel, or other materials consumed or expended in the performance of the sponsored project.

Indirect Costs (Facilities and Administrative Costs – F&A) are incurred for common or joint objectives and, therefore, cannot be readily and specifically identified with a particular project or activity. They are expenses that benefit more than one activity. Common examples of indirect costs include utilities, information systems charges, shared office space and supplies, overhead, administrative, management, human resources, fiscal or office support salaries, etc.

E. EXPLANATION OF ALLOWABLE COSTS

All costs must be allowable under federal regulations and sponsor terms and conditions, including program-specific requirements and County policies. To be allowable, costs must:

- be reasonable and necessary;
- be allocable to federally sponsored projects under the principles and methods provided in OMB Uniform Guidance;
- be given consistent treatment; and
- conform to any limits or exclusions set forth in OMB Uniform Guidance or the terms and conditions of the award.

Costs of materials and/or services rendered by specialized facilities or other County service operations may be included as costs under federally sponsored agreements, provided such items are:

- consistently treated in similar circumstances as direct costs, rather than Facilities and Administrative (indirect) costs; and
- charged under a recognized method of computing actual costs.

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F. EXPLANATION OF REASONABLE COSTS

A cost is reasonable if the nature of the goods or services acquired or applied, and the amount involved, reflect the action that a prudent person would have taken under the prevailing circumstances when the decision to incur the cost was made.

Important considerations in determining the reasonableness of costs are:

- Is the cost of a type generally recognized as necessary for the operation of the County or the performance of the sponsored project?
- Have the restraints or requirements imposed by such factors as federal and state laws and regulations, sponsored agreement terms and conditions, and arm's-length bargaining been satisfied?
- Have the individuals concerned acted with due prudence in the circumstances, considering their responsibilities of the County, its employees, its customers, the government, and the public at large?
- Is the extent of the actions taken with respect to the incurrence of the costs (i.e., hiring decision, choice of goods or services, determination of salary or price, vendor selection, etc.) consistent with established County policies and practices applicable to the work of the County generally, including sponsored projects?

G. EXPLANATION OF ALLOCABLE COSTS

A cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Every incurred cost must have a direct benefit to the sponsored project being charged.

In general, a cost is allocable to a particular sponsored project if it fulfills one of the following conditions:

- it is incurred solely to advance the work under the sponsored agreement; or
- it benefits both the sponsored agreement and other work of the County, in proportions that can be approximated through use of reasonable methods; or
- it is necessary to the overall operation of the County and, in light of the principles provided in OMB Uniform Guidance, is deemed to be assignable in part to sponsored projects.

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If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefited projects on any reasonable basis.

Note: Reasonable methods of allocating common use/shared costs items and supplies may include proportional benefit, specific anticipated use per award, FTEs on each award, square footage, and high correlation to another program cost that is clearly allocated.

Where the purchase of equipment or other capital items is specifically authorized under a sponsored agreement, the amounts thus authorized for such purchases are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.

Any costs allocable to a particular sponsored agreement under the standards provided in OMB Uniform Guidance may not be shifted to other sponsored agreements to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.

Any costs allocable to activities funded by other funding sources may not be shifted to federally sponsored agreements.

H. STANDARDS FOR PERSONNEL EXPENSES (WAGES AND BENEFITS)

Salary and wage amounts charges to federally supported projects for personal services must be based on an adequate payroll distribution system that documents such distribution in accordance with Federal Cost Principles and consistently applied County policies and practices. See [2 CFR section 200.430\(i\)](#).

Salaries and Wages Allowable: Compensation for personal services covers all amounts, including fringe benefits, paid currently or accrued by the organization for employee services rendered to the federally supported project. Compensation costs are allowable to the extent that they are reasonable, conform to the established policy of the organization, consistently applied regardless of the source of funds, and reasonably reflect the allocation of time actually devoted to the federally funded project. Paid time off (PTO), such as vacation and sick leave, may be an allowable cost to a federal award, but should not be included unless set forth in Uniform Guidance or the terms and conditions of the award. If allowed, PTO must be equitably charged to all funding sources an employee works on during the time period PTO is taken. Specific sponsored agreement direct salary limitations may exist and will be applied prior to cost

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allocations. Direct salary is exclusive of fringe benefits and indirect costs. In all cases, allowable cost limitations in accordance with the sponsored agreement will be applied prior to cost allocation. This salary guidance does not apply to consultant payments or to contracts for routine goods and services.

I. RESPONSIBILITIES OF THE PRINCIPAL PROJECT ADMINISTRATOR

It is the responsibility of the Principal Project Administrator, with the assistance of their respective department administrative personnel to correctly review, process, and approve expenditures to sponsored awards, including the appropriate classification by expenditure type.