

STATE OF OKLAHOMA

OFFICE OF JUVENILE AFFAIRS



COST PRINCIPLES

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This procedure establishes principles and standards for determining costs that are eligible for reimbursement pursuant to cost reimbursement contracts. This guideline establishes principles and standards to provide a uniform approach for determining costs and to promote effective program delivery, efficiency, and better relationships between OJA and its contractors. These principles and standards are for determining allowable costs only.

I. GENERAL PRINCIPLES FOR DETERMINING ALLOWABLE COSTS

A. Purpose and Scope

1. Objectives

A. This section establishes principles for determining the allowable costs incurred by OJA contractors under cost reimbursement contracts, grants, and other agreements with service providers. This procedure is designed to provide that OJA bears its fair share of cost recognized under these principles except where restricted or prohibited by law.

2. Policy guideline

A. The application of these principles is based on the fundamental premises that:

1. Contractors are responsible for the efficient and effective administration of contracted programs through the application of sound management and financial practices.
2. Contractors assume responsibility for administering OJA funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Contract.
3. Each contractor, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of OJA funds.

3. Application

A. These principles will be applied by all OJA contractors in determining costs eligible for reimbursement (including subcontracts) except those organizations that are legally subject to specific OMB circulars or other such requirements. This guideline must be followed unless there is a conflict with other requirements that are legally binding.

B. Definitions

1. "Administrative Costs" means the cost of services that are not directly expended for the benefit of a service recipient but are necessary to accomplish the requirements of the cost reimbursement contract.
2. "Budget Approval" means documentation from OJA evidencing consent prior to incurring a specific cost.
3. "Claim" means a written voucher, invoice or other routine request for payment that is not in dispute.
4. "Contract" means a written bilateral agreement obligating the contractor to furnish the supplies or services (including construction) and OJA to reimburse the contractor for their services.
5. "Cost" means an amount as determined on a cash, accrual, or other basis acceptable to the Contracting or OJA. It does not include transfers to a general or similar fund.
6. "Cost allocation plan (CAP)" a plan, submitted to OJA that shows how an agency will distribute (or allocate) costs across applicable funding sources.
7. "Cost objective" means a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.
8. "Contractor" means an organization receiving government funding pursuant to a contract.
9. "Direct costs" are costs that directly result from the provision of a service, and can be identified specifically with a particular cost objective.
10. "Indirect cost rate" a rate that has been approved by the Federal Government.
11. "OJA" – Office of Juvenile Affairs, an Agency of the State of Oklahoma

C. Basic Guidelines

1. Factors affecting the allowability of costs. To be allowable under these procedures, costs must meet the following general criteria:
 - A. Be necessary and reasonable for proper and efficient performance and administration of the contract.

- B. Be allocable to the contract under the provisions of this procedure.
- C. Be authorized or not prohibited under applicable laws or regulations.
- D. Conform to any limitations or exclusions set forth in these guidelines, State and Federal laws, terms and conditions of the contract, or other governing regulations as to types or amounts of cost items.
- E. Be consistent with policies, regulations, and procedures that apply uniformly to both OJA contracts and other activities of the contractor.
- F. Be accorded consistent treatment. A cost may not be assigned to an OJA Contract as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to a Federal award as an indirect cost.
- G. Except as otherwise provided for in this procedure, be determined in accordance with generally accepted accounting principles.
- H. Not be included as a cost or used to meet cost sharing or matching requirements of any Contract in either the current or a prior period, except as specifically provided by State or Federal law or regulation.
- I. Be the net of all applicable credits.
- J. Be adequately documented.

2. Reasonable costs.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration shall be given to:

- A. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the contractor in performance of the contract requirement.
- B. The restraints or requirements imposed by such factors as: sound business practices; arms-length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Contract.
- C. Market prices for comparable goods or services.

D. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities in fulfillment of the contract.

E. Significant deviations from the established practices of the contractor that may unjustifiably increase the contract costs.

3. Allocable costs.

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

B. All activities that benefit from the contractor's shared cost, including unallowable activities and services donated to the contractor by third parties, will receive an appropriate allocation of shared costs.

C. Any cost allocable to a particular contract or cost objective under the principles provided for in this procedure may not be charged to other programs to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Contract, or for other reasons except as allowed by (d) below.

D. With prior approval, shared costs allowable under OJA contracts may be allocated from a contract for similar scope of services to an OJA contract.

E. Where particular costs cannot be attributed 100% to a specific program then a cost allocation plan must be utilized.

4. Applicable credits.

A. Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to the contracted program. Examples of such transactions are: user fees, purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the contractor relate to allowable costs, they shall be credited to OJA either as a cost reduction or cash refund, as appropriate.

D. Composition of Cost

1. Total cost.

A. The total cost of the Contract is comprised of the allowable direct cost of the program, plus, if applicable, its allocable portion of allowable federally approved indirect costs, less applicable credits. Prior to utilization of a current federally approved Indirect Cost Rate (IRC), the IRC with methodology, support documentation and federal approval documents must be on file with OJA.

2. Direct Costs

B. Application. Typical direct costs chargeable to Contracts are:

1. Compensation of employees for the time devoted and identified specifically to the performance of Contract services.
2. Cost of materials acquired, consumed, or expended specifically for the purpose of Contract services.
3. Equipment
4. Travel expenses incurred specifically to carry out the contract services
5. Contracted Professional services when used for direct client Services

3. Shared Costs

A. Shared Costs are those:

1. incurred for a common or joint purpose benefiting more than one cost objective, and
2. not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

E. Cost Allocation

A. Cost allocation plans.

1. There are several situations that require an organization to allocate costs for shared expenses. Contractors shall develop a Cost Allocation Plan (CAP) when the costs for services such as administration, purchasing, accounting, etc., are shared with multiple activities and the contractor wishes to seek reimbursement from OJA. A CAP is a document that identifies, accumulates and distributes allowable direct and shared costs charged to OJA contracts to the benefited activities on a reasonable and consistent basis. The plan must clearly identify the allocation methods used for distributing the costs. All cost types included in the plan shall be supported by formal accounting records to substantiate the appropriateness of the eventual charges. Shared costs omitted from the plan will not be reimbursed, but CAPs may be revised to cover omitted costs.

2. Where it is necessary to establish a cost allocation plan and the contractor has not submitted a proposal for establishing such a plan in accordance with these requirements, OJA may either disallow all allocated costs or unilaterally establish a plan or rate. Such a plan may be based upon audited historical data or such other data that have been furnished to OJA and for which it can be demonstrated that all unallowable costs have been excluded.
 - A. Requirements for development and submission of cost allocation plans are contained in Section III.

II. SELECTED ITEMS OF COST

Introduction

The following provide principles to be applied in establishing the allowability or unallowability of certain items of cost. A cost is allowable for reimbursement only to the extent of services rendered pursuant to and within the effective dates of an OJA contract and its conformance with the general policies and principles stated in Section I of this guideline.

Failure to mention a particular item of cost in these sections is not intended to imply that it is either allowable or unallowable.

A. Select items of cost

1. Accounting

A. The cost of establishing and maintaining accounting and other information systems is allowable.

2. Advertising costs and public relations costs

A. The term "advertising costs" means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television programs, direct mail, exhibits, and the like.

B. The term "public relations" includes community relations and means those activities dedicated to maintaining the image of the contractor or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

C. Advertising costs are allowable only when incurred for the recruitment of personnel, the procurement of goods and services, and any other specific purposes necessary to meet the requirements of the Contract.

D. Public relations costs are allowable as direct costs when necessary as outreach effort for the contract services.

E. Unallowable advertising and public relations costs include the following:

1. All advertising and public relations costs other than as specified in subsections c. and d.

2. Costs of conventions, meetings, or other events related to other activities of the contractor including:
 - a. Costs of displays, demonstrations, and exhibits;
 - b. Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and
 - c. Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
 3. Costs of promotional items and memorabilia, including models, gifts, and souvenirs; and
 4. Costs of advertising designed solely to promote the contractor.
 5. The allowability of costs which fall outside those mentioned above will be considered on a case-by-case basis.
3. Advisory councils. Costs incurred by advisory councils or committees are allowable as a direct cost.
 4. Alcoholic beverages. Costs of alcoholic beverages are unallowable.
 5. Audit services. The costs of audits are allowable provided that the audits were performed in accordance with Contract requirements and/or applicable laws.
 6. Bad debts. Bad debts, including losses (whether actual or estimated) arising from uncollectible accounts and other claims, related collection costs and related legal costs are unallowable.
 7. Bonding costs. Costs of bonding employees and officials are allowable to the extent that such bonding is in accordance with sound business practice and the organizations written policy.
 8. Communications. Costs of telephone services, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.

B. General Compensation for personnel services

Compensation for personnel services includes all compensation, paid currently or accrued, for services rendered during the period of performance under the contract. It includes, but not necessarily limited to, wages, salaries, and fringe benefits.

The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this guideline, and that the total compensation for individual employees:

1. Is reasonable for the services rendered and conforms to the established policy of the contractor consistently applied to both OJA Contract and non-OJA activities;
2. Follows an appointment made in accordance with the contractor's rules and procedures and meets merit system or other requirements required by State and Federal law, where applicable; and
3. Is determined and supported as provided in subsection G (Support of Salary and Wages).

C. Reasonableness of personal compensation

Compensation for employees engaged in work on OJA Contracts will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the contractor. In cases where the kinds of employees required for the Contracted Services are not found in the other activities of the contractor, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the contractor competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

D. Fringe benefits

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, employee agreement, or an established policy of the contractor.

1. The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if:

A. they are provided under established written leave policies;

- B. the costs are equitably allocated to all related activities, including contract services; and,
 - C. the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the contractor.
2. The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance; pension plan costs; and other similar benefits are allowable, provided such benefits are:
- A. granted under established written contractor policies
 - B. Such benefits shall be allocated to the contract and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to the contract and other activities.
3. When a contractor uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid. Payments for unused leave when an employee retires, terminates employment or if the agency has an annual leave buyout plan are allowable in the month of payment.
4. The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting principles (GAAP) exists when the leave is earned. When a contractor uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.

E. Pension plan costs

Pension plan costs computed using a pay-as-you-go method or an acceptable actuarial cost method are allowable if:

- A. They are provided under established written policies of the contractor.
 - B. The policies meet the test of reasonableness.
 - C. The cost are equitably allocated to all related activities.
1. For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.
2. Pension costs calculated using an actuarial cost- based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year

within the close out period of the contract but no more than 4 months after the end of that year.

3. When a contractor converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion shall be allowable if amortized over a period of years in accordance with GAAP.
4. OJA shall receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the contractor in the form of a refund, withdrawal, or other credit.

F. Severance pay

1. Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by;
 - A. law
 - B. employer-employee agreement
 - C. established written policy
2. Severance payments associated with normal turnover are allowable. Such payments shall be allocated to all activities of the contractor.
3. Abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved in advance by OJA and is at OJA's sole discretion.

G. Support of salaries and wages

These standards regarding time distribution are in addition to the standards for payroll documentation.

1. Charges to OJA contracts for salaries and wages will be based on documented payrolls approved by a responsible official(s) of contractor and in accordance with the generally accepted practice of the contractor. The distribution of salaries and wages to OJA contracts must be supported by personnel split-funded timesheets/activity reports.
2. Where employees are expected to work solely on a single OJA activity or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel split-funded timesheets/activity reports or equivalent documentation which meets the standards of this guideline unless a statistical sampling system or other substitute system has been approved by OJA. Such documentary support will be required where employees work on:

- A. More than one OJA activity or cost objective,
- B. An OJA activity/cost objective and Non-OJA activity/cost objective,
- C. One or more OJA activities/cost objectives and an unallowable activity

These certifications will be prepared at least monthly and will be signed by the employee and supervisory official having first hand knowledge of the work performed by the employee and that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during each period.

3. Personnel split-funded timesheets/activity reports or equivalent documentation must meet the following standards:

- A. They must reflect an after-the-fact distribution of the actual activity of each employee,
- B. They must account for the total activity for which each employee is compensated,
- C. They must be prepared at least monthly and must coincide with one or more pay periods, and
- D. They must be signed by the employee.
- E. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to OJA contracts but may be used for interim accounting purposes, provided that:
 - 1. The contractor's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - 2. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to OJA contracts to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and

actual costs are less than ten percent. Detailed quarterly reconciliation reports must be made each quarter and signed by persons with authority to sign claims. These reports shall be made available to OJA upon request. OJA must be advised prior to contract period if utilization of this method is used; and

3. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

F. Substitute systems for allocating salaries and wages to contracts may be used in place of activity reports. These systems are subject to approval by OJA. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

1. Substitute systems which use sampling methods must meet acceptable statistical sampling standards including:

- a. The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);
- b. The entire time period involved must be covered by the sample; and
- c. The results must be statistically valid and applied to the period being sampled.

H. Licenses and Certifications

1. Agency Licensing and Certification is an allowable cost as long as it is reasonable and necessary.

I. Contingencies

1. Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, or intensity, or with an assurance of their happening, are unallowable.

J. Contributions and donations

1. Contributions and donations, including cash, property, and services, by contractors to others, regardless of the recipient, are unallowable. Services provided in the performance of contract requirements are not considered contributions or donations.

K. Defense and prosecution of civil proceedings, and claims

1. Legal expenses required in the administration of programs are allowable.
2. Legal expenses for all other purposes are unallowable.

L. Depreciation and use allowances

1. Depreciation is unallowable except as a component of "Rental Equivalent Costs".
2. Use allowances are a means of allocating the cost of fixed assets owned by the contractor to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through use allowances.

M. Computation of Use Allowance

The computation of use allowances shall be based on the acquisition cost of the assets involved. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used. The value of an asset donated to the contractor by an unrelated third party may be charged to the contract via the Rental Equivalent Costs or Use Allowance Method using fair market value (see definitions below).

Governmental or quasi-governmental organizations located within the same State shall not be considered unrelated third parties for this purpose.

1. The computation of use allowances will exclude:
 - A. The cost of land;
 - B. Any portion of the cost of buildings and equipment borne by or donated by OJA irrespective of where title was originally vested or where it presently resides; and
 - C. Any portion of the cost of buildings and equipment contributed by or for the contractor, or a related donor organization, in satisfaction of a matching requirement.

2. Use allowance for buildings and improvements (including land improvements, such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition costs. The use allowance for equipment will be computed at an annual rate not exceeding $6\frac{2}{3}$ percent of acquisition cost. When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (e.g. plumbing system, heating and air condition, etc.) cannot be segregated from the building's shell. The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and which is used as furnishings or decorations or for specialized purposes (e.g., dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the destruction of, or need for costly or extensive alterations or repairs, to the building or the equipment. Equipment that meets these criteria will be subject to the $6\frac{2}{3}$ percent equipment use allowance limitation.
3. A reasonable use allowance may be negotiated for any assets that are considered to be fully depreciated, after taking into consideration the amount of depreciation previously charged to the government, the estimated useful life remaining at the time of negotiation, the effect of any increased maintenance charges, decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.
4. Charges for use allowances must be supported by adequate property records. Physical inventories must be taken at least once every two years (a statistical sampling approach is acceptable) to ensure that assets exist, and are in use. Contractors will manage equipment in accordance with State laws and procedures. When the depreciation method is followed, depreciation records indicating the amount of depreciation taken each period must also be maintained.

N. Entertainment

1. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.
2. Costs incurred for the benefit of youth in the performance of contract requirements is not considered an entertainment cost.

These costs are considered as program costs, and should be applied appropriately to all agency funding sources.

O. Equipment

1. As used in this section the following terms have the meanings as set forth below:

A. "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of:

1. The capitalization level established by the contractor for financial statement purposes, or
2. \$2,500

B. "Data processing equipment" means computers, equipment and ancillary support item (such as jump drives) which are utilized to support the services required by the contract, have a useful life of more than one year and an acquisition cost which equals the lesser of:

1. The capitalization level established by the contractor for financial statement purposes, or
2. \$500

2. For equipment purchases to be allowable the contractor must have prior OJA approval and the equipment must be used predominantly for OJA contracted programs. This does not prohibit incidental uses for other purposes.

P. Other Capital Assets

Capital assets means expenditures for the acquisition cost of equipment, buildings, land or expenditures to make improvements to said assets to materially increase their value or useful life. Acquisition cost means the cost of the asset including the cost to put it into service.

1. Equipment and Capital expenditures are unallowable as indirect costs. Capital expenditures which are not charged directly to a contract may be recovered through use allowances on buildings, capital improvements, and equipment.
2. Capital expenditures for equipment, including replacement equipment, other capital assets, and improvements which materially increase the value or useful life of equipment or other capital assets are allowable as a direct cost with prior approval by OJA.

3. Items of equipment with an acquisition cost of less than \$2,500 are considered to be supplies and are allowable as direct costs to the contract without specific OJA approval.

In the event of an emergency situation that could impact the health or safety of persons and/or interfere with the daily operations of the program, emergency purchases are allowable with subsequent notification to OJA within 7 days.

4. The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by:
 - A. Continuing to claim the otherwise allowable use allowances charge on the equipment
 - B. Amortizing the amount to be written off over a specific number of years negotiated with OJA
 - C. When replacing equipment purchased in whole or in part with OJA funds, the contractor may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

Q. Fines and penalties

Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the contractor to comply with, Federal, State, local, or Indian tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Contract or written instructions by OJA authorizing in advance such payments.

R. Fund raising and investment management costs

1. Costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.
2. Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.

S. Insurance and indemnification

1. Costs of insurance required or approved and maintained, pursuant to the contract, are allowable.

2. Costs of other insurance in connection with the general conduct of its operations are allowable subject to the following limitations:
- A. Types, extent and cost of coverage are in accordance with the contractor's policy and sound business practice.
 - B. Actual losses that could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the contract or as described below.
 - C. Actual claims paid to or on behalf of employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits are allowable in the year of payment provided:
 - 1. The contractor follows a consistent costing policy.
 - 2. They are allocated as a general administrative expense to all activities of the contractor.
 - D. Insurance refunds shall be credited against insurance costs in the year the refund is received and allocated appropriately to all affected programs.
 - E. Indemnification costs that secure the contractor against liabilities to third persons and other losses not compensated by insurance or otherwise are unallowable.
 - F. Costs of commercial insurance that protects against the costs of the contractor for correction of the contractor's own defects in materials or workmanship are unallowable.

T. Interest

- 1. Interest payments are unallowable.

U. Lobbying.

- 1. The cost associated with lobbying activities is an unallowable cost.

V. Maintenance, operations, and repairs

Unless prohibited by law, the cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, necessary maintenance, normal repairs and alterations, and the like are allowable to the extent that they:

1. Keep the property (including OJA property, unless otherwise provided for) in an efficient operating condition.
2. Do not add to the permanent value of property or appreciably prolong its intended life.
3. Are not otherwise included in rental or other charges for space. Costs, which add to the permanent value of property or appreciably prolong its intended life shall be treated as capital expenditures.

W. Materials and supplies

The cost of materials and supplies is allowable. Purchases should be charged at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received. Withdrawals from general stores or stockrooms should be charged at actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supply costs.

X. Memberships, subscriptions, and professional activities

1. Costs of the contractor organizations' membership in business, technical, and professional organizations are allowable.
2. Costs of membership in organizations substantially engaged in lobbying are unallowable.
3. Costs of the contractor organizations' subscriptions to business, professional, and technical periodicals are allowable.
4. Costs of membership in any civic or community organization are allowable with prior approval of OJA.
5. Costs of membership in any country club or social or dining club or organization are unallowable.

Y. Professional service costs

1. Cost of professional and consultant services rendered by persons or organizations that are members of a particular profession or possess a special skill, who are not officers or employees of the contractor, are allowable, when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from OJA.

Z. Proposal costs

1. Costs of preparing proposals for potential contracts are allowable. Proposal costs should normally be treated as shared costs and should be allocated to all activities of the contractor utilizing a cost allocation plan. However, proposal costs may be charged directly to contracts with the prior approval of OJA.

AA. Publication and printing costs

1. Publication costs, including the costs of printing (including the processes of composition, plate-making, press work, and binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling are allowable and allocated as appropriate to all programs.

BB. Rearrangements and alterations

1. Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable. Special arrangements and alterations costs incurred specifically for OJA contract services are allowable with the prior approval of OJA.

CC. Reconversion costs

1. Costs incurred in the restoration or rehabilitation of the contractor's facilities to approximately the same condition existing immediately prior to commencement of an OJA contract, less costs related to normal wear and tear, are allowable.

DD. Rental Costs or Rent Equivalent Costs

1. Rental costs are those that are incurred through a lawful "arms-length" agreement with a third party for the use of building space are allowable.

Rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased.

1. Rental cost under "less-than-arms-length" leases are allowable with only up to the amount that would be allowed had the title to the property vested in the non-profit organization. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other.

For example, a non-profit organization may establish a separate corporation for the sole purpose of owning property and leasing it back to the non-profit organization.

3. Rental equivalent costs are costs incurred for the use of building space that do not meet the definition of rental costs. Rental equivalent costs are the sum of the annual depreciation and debt service not to exceed fair market value of a building that serves the same program purpose and is available within the community.

EE. Taxes

1. Taxes that a contractor is legally required to pay are allowable, except:
 - A. Taxes from which exemptions are available to the organization directly
 - B. Self-assessed taxes that disproportionately affect OJA programs
 - C. Changes in tax policies that disproportionately affect OJA programs
2. Gasoline taxes, motor vehicle fees, other taxes that are in effect and user fees for benefits provided to OJA are allowable.

FF. Training

1. The cost of training provided for employee development is allowable.
2. Cost of meetings and conferences where the primary purpose is the dissemination of technical information, including meals, transportation, rental of meeting facilities, and other incidental costs are allowable.

GG. Travel costs

1. General. Travel costs are allowable for expenses for transportation, lodging, subsistence, and related items incurred by employees traveling on official business. Such costs may be charged on an actual cost basis limited to the Oklahoma Travel Reimbursement Act.
2. Lodging and subsistence. Costs incurred by contractor's employees, representatives, and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the contractor in its regular operations as a result of the contractor's policy and the Oklahoma Travel Reimbursement Act.

3. Commercial air travel. Airfare costs in excess of the customary standard (coach or equivalent) airfare, are unallowable.
4. Out-of-State travel is unallowable without prior written approval of the OJA Executive Director.

III. COST ALLOCATION PLANS

A. Submission Requirements

1. Contractor shall submit a plan to OJA for each year in which it claims shared costs under OJA Contracts unless its previously submitted plan has not been changed. In this case, contractor must disclose in writing that the plan has not been changed.

B. Documentation Requirements for Submitted Plans

1. The documentation requirements described in this section may be modified, expanded, or reduced by OJA on a case-by-case basis. For example, the requirements may be reduced for those services that have little or no impact on OJA Contracts. Conversely, if a review of a plan indicates that certain additional information is needed, and will likely be needed in future years, it may be routinely requested in future plan submissions.

2. General

A. All proposed plans must be accompanied by the following:

1. An organization chart sufficiently detailed to identify all partners, types of services provided, and staff functions.
 2. A description of the types of services offered at the center.
 3. A copy of the entity's official budget.
 4. The method(s) used in allocating the expenses to benefit cost objectives.
 5. A certification that the plan was prepared in accordance with this Guideline, contains only allowable costs, and was prepared in a manner that treated similar costs consistently among the various programs of the contractor.
3. Required certification. Each cost allocation plan will be accompanied by a certification (attachment A).

C. Other Policies

1. Records retention. All central service cost allocation plans and related documentation used as a basis for claiming costs under Contracts must be retained for audit for at least 5 years. If after 5 years there are pending

audit issues then records shall be retained until 24 months after all audit findings have been resolved.

2. Unallowable Costs. Claims developed under approved cost allocation plans will be based on allowable costs as identified in this Guideline. Where known unallowable costs have been intentionally claimed and reimbursed, they will be refunded to OJA, with interest and/or reasonable recovery costs and related to the amount of the recoupment recovery costs, using one of the following methods: (a) a cash refund, or (b) offset to a subsequent claim. The method of recoupment will be determined through good-faith negotiation between the parties.

CERTIFICATE OF COST ALLOCATION PLAN

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

All costs included in this proposal [identify date] to establish cost allocations for [identify period covered by plan] are allowable in accordance with the requirements of this Guideline. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

All costs included in this proposal are properly allocable to OJA Contracts on the basis of a beneficial or causal relationship between the expenses incurred and the Contracts to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated, as allocated costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

I declare that the foregoing is true and correct.

Contractor: _____

Signature: _____

Name of Official: _____

Title: _____

Date of Execution: _____