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COMMITTEE REPORT

HOUSE

6/9/81

FURTHER: FINANCE

(5)

Date: 6-23-81

Mr. Speaker:

The Committee on STATE AFFAIRS has had HR 606

"An Act establishing uniform administrative procedures for grants to and contracts with nonprofit organizations, and providing for an effective date."

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s) same title
- replace with CS for HR 608 new title
- and recommends do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

A M E N D M E N T

OFFERED IN THE HOUSE:

By: State Affairs

To: Amend HOUSE BILL No. CSHB 608

SENATE BILL No. _____

PAGE: _____

LINE: _____

Page 2, line 11:

after "for" add "single" so that the line reads:
(F) provisions for single annual audits;

Page 2, lines 20 & 21:

after "grants." Add this sentence "A nonprofit corporation may not receive a grant unless it has a current certification."

A M E N D M E N T

TO: CSHB 608(SA)

By Metcalfe

Page 2, line 26: change the period to a semicolon

Page 2, following line 26, insert the following material:

"(4) require that each application for a contract with or grant to a nonprofit organization list all contracts with or grants from a federal, state, or local government or agency that the nonprofit organization has applied for or received within one year preceding the date of the application."

A M E N D M E N T

TO: CSHB 608(SA)

By Metcalfe

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Page 2, following line 26, insert the following material:

"(4) require that each application for a contract with or grant to a nonprofit organization list all contracts with or grants from a federal, state, or local government or agency that the nonprofit organization has applied for or received within one year preceding the date of the application."

AMENDMENT

OFFERED IN THE HOUSE:

By: State Affairs

To: Amend HOUSE BILL No. CSHB 608

SENATE BILL No. _____

PAGE: _____

LINE: _____

Page 2, line 11:

after "for" add "single" so that the line reads:
(F) provisions for single annual audits;

Page 2, lines 20 & 21:

after "grants." add this sentence "A nonprofit corporation may not receive a grant unless it has a current certification." - *Bill Beerin*

called w/ different wording - seems OK - grammatical

Berrier ✓✓

Admiral?

Original sponsors: Meekins and Beirne

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 608 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing uniform administrative procedures
7 for grants to and contracts with nonprofit organiza-
8 tions; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. FINDINGS. The legislature finds that there is a need for
11 consistency and uniformity in administration of grants and contracts to
12 nonprofit organizations. The legislature further finds that nonprofit organi-
13 zations that receive grant or contract money from the state, for programs to
14 benefit the residents of the state, should have sound administrative struc-
15 tures including (1) a governing board, (2) a personnel system, (3) an account-
16 ing system, and (4) appropriate administrative personnel. These administra-
17 tive costs should be allowed as indirect cost rates that may be unique and
18 individual for each nonprofit organization that receives grant or contract
19 money from the state. The indirect cost rates should be determined indivi-
20 dually for each organization based on independent final audit of the indirect
21 costs for each grant or contract.

22 * Sec. 2. AS 37.05 is amended by adding a new section to read:

23 Sec. 37.05.314. ADMINISTRATIVE PROCEDURES FOR GRANTS TO AND CON-
24 TRACTS WITH NONPROFIT ORGANIZATIONS. (a) The Department of Administra-
25 tion shall

26 (1) develop uniform procedures for grants to and contracts
27 with nonprofit organizations, including

28 (A) uniform proposal application procedures;

29 (B) uniform application review requirements;

1 (C) a consistent application of cost principles for
2 nonprofit organizations;

3 (D) provisions for a consistent acceptance and payment
4 of negotiated indirect cost rates using the federal cost rate if
5 applicable or, if the federal rate is not applicable, a cost rate
6 negotiated by the state with provisions for payment of individual
7 costs based on final determination of the indirect cost properly
8 incurred as shown by a fully certified audit by an independent
9 audit firm;

10 (E) provisions for advances of grant or contract money;

11 (F) provisions for ^{single annual} annual audits;

12 (G) requirements of annual certification of administra-
13 tive systems of the organization;

14 (H) identification and segregation of indirect costs
15 relating to each grant;

16 (2) annually examine the administrative system of any non-
17 profit organization ~~on request of the organization~~ and if the system is
18 determined to be adequate for the purpose of state grants or contracts
19 certify that the organization is eligible to receive state contracts or
20 grants. *A non-profit corporation may not receive*

21 *a grant unless its certification is current*
22 (3) require that each contract with or grant to a nonprofit
23 organization from a state agency provide for payment of indirect costs
24 of administration of the contract or grant at the rate established in
25 the contract.

26 (b) The requirements of this section do not apply to a state
27 agency that makes grants if the agency has developed procedures consis-
28 tent with the requirements of this section, and the Department of Admin-
29 istration has reviewed those procedures and has exempted the agency from
the requirements. An exemption under this section must be renewed

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annually, based on an annual evaluation of the procedures of the state agency.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-070(c).

FISCAL NOTE

request

I. REQUEST
 Bill/Resolution No. HB608
 Title Establish Uniform Administrative Procedures for Non-Profit Organizations
 Requested by House HESS Date _____

II. FISCAL DETAIL
 Agency Affected Department of Administration, Division of Finance
 Program Category Affected General Government
 BRU, Program, Or Subprogram(s) Affected Accounting
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		83.1	89.7	96.9	104.7	113.1
200 TRAVEL		25.0	27.0	29.2	31.5	34.0
300 CONTRACTUAL		7.0	7.5	8.1	8.7	9.4
400 COMMODITIES		2.0	2.2	2.3	2.5	2.7
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		117.1	126.4	136.5	147.4	159.2

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		117.1	126.4	136.5	147.4	159.2
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		2.0	2.0	2.0	2.0	2.0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

The services of an Internal Auditor II and III will be required to carry out the provisions of HB608. The auditors will be responsible for negotiating indirect cost votes for application to state grants and contracts for approximately 200 non profit organizations and will conduct annual examinations of internal accounting and administrative controls for 40-50 organizations. These will be the ongoing activities required in HB608.

The auditors will also be initially responsible for developing and implementing uniform procedures for grants to contracts with non profit organizations.

IV. DATE 1/27/82 PREPARED BY Robert L. Rehfeld
 AGENCY Administration
 PHONE 405-2277
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Meekins and Beirne

1	POSITION TITLE Internal Auditor II			RANGE/STEP 17A	BARG. UT. IT. GGU	LOCATION Juneau	APPROV. GOV.	DIB/PP.
2	TYPE OF POSITION PFT	STAFF MONTHS 12	RP No.	PCN No.	PRIORITY	FORM 12	PAGE/LINE	LIG.
3	TYPE OF EXPENDITURE			AMOUNT				
	1	2	3					
4	PERSONAL SERVICES:							
	SALARY	2,455 x 12	29,460					
5	BENEFITS	@30.9%	9,103					
6	SBS							
7	FIXED BENEFITS							
8	TOTAL PERSONAL SERVICES	01	38,563	38.6				
9	TRAVEL	02		12.5				
10	CONTRACTUAL	03		3.5				
11	COMMODITIES	04		1.0				
12	EQUIPMENT	05						
13	OTHER							
14	TOTAL COST			55.6				
15	RECEIPT CODE	FUNDING SOURCE						
		FED RCPTS. 1002						
		GF MATCH. 1003						
		GEN. FUND 1001		55.6				
		I-A RCPTS. 1005						
		PGM RCPTS 1028						
		OTHER						
21	CONTINUATION							
22	ADDITION	FOR B&M USE ONLY						
4A	KEY NUMBER	COLUMN NO.						

JUSTIFICATION:

The Internal Auditor II working under supervision of the Internal Auditor III will perform the following activity:

- 1) conduct annual examinations of non profit organizations to insure the adequacy of internal accounting and administrative controls for the purpose of being eligible to receive and expend State funds.

AGENCY Administration, Finance PROGRAM Centralized Admin. Services

BRU Accounting

COMPONENT Accounting Services

Page 2 of 2 REVISED DATE _____

13 REQUEST FOR NEW POSITION.

4/472T 01/28/82

FY 83

1	POSITION TITLE Internal Auditor III			RANGE/STEP 19A	BARG. UNIT. Supervisory	LOCATION Juneau	APPROV.	DISAPP.
2	TYPE OF POSITION PFT	STAFF MONTHS 12	RP No.	PCN No.	PRIORITY	FORM 1? PAGE/LINE	LEG.	
3	TYPE OF EXPENDITURE			AMOUNT		JUSTIFICATION:		
	1	2	3					
4	PERSONAL SERVICES: SALARY 2837 x 12		34,044					
5	BENEFITS @30.9%		10,520					
6	SBS							
7	FIXED BENEFITS							
8	TOTAL PERSONAL SERVICES		0144,564		44.5			
9	TRAVEL		02		12.5			
10	CONTRACTUAL		03		3.5			
11	COMMODITIES		04		1.0			
12	EQUIPMENT		05					
13	OTHER							
14	TOTAL COST				61.5			
	RECEIPT CODE	FUNDING SOURCE						
15		FED RCPTS. 1002						
16		GF MATCH. 1003						
17		GEN. FUND 1004		61.5				
18		I-A RCPTS. 1005						
19		PGM RCPTS 1028						
20		OTHER						
21	CONTINUATION							
22	ADDITION		FOR B&M USE ONLY					
4A KEY NUMBER				COLUMN NO.				

The Internal Auditor III working under control of the Director, Division of Finance will be responsible for the following activities:

- 1) develop and effect implementation of uniform procedures for grants to and contracts with non profit organizations
- 2) conduct annual examinations of non profit organizations to insure the adequacy of internal accounting and administrative controls for the purpose being eligible to receive and expend State funds
- 3) negotiate indirect cost rates with non profit organizations for application to State grants and contracts.

AGENCY Administration, Finance PROGRAM Centralized Admin. Services

BRU Accounting

COMPONENT Accounting Services

13 REQUEST FOR NEW POSITION.

Page 1 of 2 REVISED DATE _____

FY 83

Alaska State Legislature



House of Representatives

RAY METCALFE

POUCH V
JUNEAU, ALASKA 99811

P.O. BOX 4-2766
ANCHORAGE, ALASKA 99509

April 30, 1982

Dear:

Thank you for contacting me and expressing your concern on HB 608. It was the extensive correspondence from yourself and other similar organizations that prompted my decision to hold hearings on HB 608.

Following those hearings I found that there was clearly a need for consistency and uniformity in the administration of grants and contracts to nonprofit organizations. HB 608 sets out a fair and reasonable method providing oversight to the administration of grants and contracts to nonprofit organizations.

As Chairman of the State Affairs Committee and with the cooperation of the Committee members, I passed the Bill out of Committee and sent it on to the Finance Committee with our recommendation that it be considered as rapidly as possible. The Bill has since passed the House, and hopefully it will soon pass the Senate.

If you have any further questions, please feel free to call me at 465-4947.

Sincerely,

Ray Metcalfe
Chairman
State Affairs Committee

RHM/mjm

*Cord made ✓
letter written*



COOK INLET NATIVE ASSOCIATION

670 West Firweed Lane
Anchorage, Alaska 99503
(907) 278-4641

*608
letter*

January 21, 1982

Representative Ray H. Metcalfe
Alaska State Legislature
Pouch V (MS3100)
Juneau, Alaska 99811

Dear Representative Metcalfe:

The purpose of this letter is to forward Cook Inlet Native Association Board of Director's Resolution 81-007 calling for the establishment of Uniform State Administrative procedures for Grants to, and contracts with nonprofit organizations.

We would respectfully request your office review HB-608 and lend your support to prioritizing this legislation for passage during the next legislative session. As a result of the State Legislature creating new programs to be administered by nonprofit organizations and with the tremendous push by the Reagan Administration to shift the Administrative responsibility of Federal programs onto the State's back, it is imperative that a Uniform Standard Administrative procedure be established. At the present time almost no department within the State, including the Department of Administration, has a universal Administrative procedure to follow for grants/contracts with nonprofit organizations. This in effect, puts all nonprofit organizations in a position of developing very cumbersome and awkward contracted administrative procedures and standards for almost all state contracts.

We are confident that the State Administration would like to get this area cleaned up as well as we would.

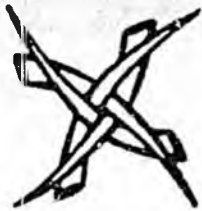
Sincerely,

Max Dolchok
Maxim Dolchok
Executive Director

MD:sbe

Attachment

REC'D JAN 25 1982



COOK INLET NATIVE ASSOCIATION

670 West Fireweed Lane
Anchorage, Alaska 99503
(907) 278-4641

COOK INLET NATIVE ASSOCIATION

BOARD OF DIRECTOR'S RESOLUTION

81-007

WHEREAS, the Cook Inlet Native Association is a nonprofit corporation under the laws of the State of Alaska; and

WHEREAS, the Cook Inlet Native Association has federally recognized negotiated indirect cost rates; and

WHEREAS, the Cook Inlet Native Association has contracts with the State of Alaska; and

WHEREAS, the Cook Inlet Native Association deems that it is incumbent upon the State of Alaska that it establish uniform administrative procedures for grants to and contracts with nonprofit organizations;

NOW THEREFORE BE IT RESOLVED, that the Cook Inlet Native Association endorses House Bill No. 608, "An Act establishing uniform administrative procedures for grants to and contracts with nonprofit organizations", and urges the passage of this Bill by the Twelfth Legislature, Second Session,

Dated this 19th day of November, 1981.

Robert W. Rude
Robert W. Rude, President

A. Debbie Fullenwider
A. Debbie Fullenwider, Secretary

Card No. 100
Little Sea



KAWERAK, INC.



P.O. BOX 948 • NOME, ALASKA 99762



(907) 443-5231

January 21, 1982

Representative Ray Metcalfe
Chairman
State Affairs Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Subject: HB 608, and Kawerak, Inc. Resolution 81-20

Representative Metcalfe:

At the regular meeting of the Board of Directors of Kawerak, Inc. on December 15, 1981, Resolution 81-20 recommending passage of HB 608 was passed. The board strongly recommends the passage of this legislation. It is considered a top priority and will benefit both the State of Alaska and the non-profit organizations in providing continued service and improved services to the citizens of Alaska at lower costs.

Kawerak, Inc. strongly recommends passage of this legislation and is available to assist any way necessary.

Sincerely,


Leland Little
Controller

NC

LL/rr

REC'D JAN 25 1982



KAWERAK, INC.



P.O. BOX 948 • NOME, ALASKA 99762



(907) 443-5231

RESOLUTION - 81- 20

- WHEREAS, there is a need for consistency and uniformity in the administration of grants and contracts to non-profit organizations, and
- WHEREAS, the Alaska State Legislature finds that non-profit organizations presently receive grants and contract funds from the State, and
- WHEREAS, Kawerak, Inc. administers State grants and contracts, and
- WHEREAS, Kawerak, Inc. has a sound administrative structure including a governing board, a personnel system, an accounting system, and appropriate administrative personnel, and
- WHEREAS, Kawerak, Inc. has an established indirect cost rate, and
- WHEREAS, the State Legislature finds that administrative costs should be allowed as indirect cost rates, and
- WHEREAS, the State further finds that indirect cost rates should be determined individually for each non-profit organization based on an independent final audit, and
- WHEREAS, the first session of the Twelfth Legislature recognized the need for uniform administrative procedures for grants and contracts with non-profit organizations, and

REC'D JAN 25 1982

WHEREAS, House Bill No. 608, introduced on 6/9/81,
was designed to meet that need.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors
of Kawerak, Inc. urges the Senate Finance Commu-
ittee to adopt H.B. 608 with the proviso that
item (1) (H) be deleted from the language of the
Act.

DULY PASSED BY THE KAWERAK, INC. BOARD OF DIRECTORS THIS
15 DAY OF December, 19 81.

John Jemewouk
John Jemewouk,
President

Jean A. WALLUK
Secretary

BRISTOL BAY NATIVE ASSOCIATION

P. O. BOX 189

DILLINGHAM, ALASKA 99576

PHONE (907) 842-5257 — 842-5258

November 30, 1981

Representative Ray H. Metcalfe
Box 4-2766
Anchorage, Alaska 99509

Dear Representative Metcalfe:

During the last Legislative Session, House Bill 608, Entitled: An Act establishing Uniform Administrative Procedures to and Contracts with Nonprofit Organizations; was introduced on June 9th. This bill will in all probability be reintroduced in the House and Senate during the next Legislative Session.

On behalf of the Bristol Bay Native Association, Inc., I am soliciting your individual support of this extremely valuable Legislation.

As a member of the Regional Nonprofit Financial Officers Association and with that Association, Mr. Dick Smith, Deputy Commissioner, Department of Administration and cooperation of Lt. Governor Terry Miller's office these Administrative procedures have been developed into a very useful manual for use by both State and Contractor. We only lack the Legislation to adopt these procedures and place the entire mechanism into operation. This procedures manual in effect takes existing State regulations and extends this into the Federal System of contracting i.e. Incorporates Federal OMB Circular A-122 into the State contracting system, etc.

The Regional Nonprofit Corporations, other State wide Nonprofit Corporations are very unique business entities. Whether or not each entity is the same, the operations have been governed by the same set of Federal regulations administered by the various Federal Departments. This is also the same method the State uses to contract with and for Federal funds and now the Block grant program is administered the same.

Our Association has operated numerous State programs and direct contracts over the past nine years now and believe me each State Department, Division Commission or Agency has either their own regulations or more than often no regulations at all to deal with a Nonprofit Organization operating under the Federal Contracting method.

I am enclosing several items for your information and review:

1. Copy of HB 608
2. Information Sheet
3. Association's Resolution supporting this Legislation.

Representative Ray H. Metcalfe
Page 2
November 30, 1981

I sincerely want to thank you for your assistance in this Legislation. I do hope that you read the information packet on indirect method. This packet was prepared at the request of several Legislators. I think it is well prepared and explains the basic principles of indirect costs - why they're so necessary. How they're applied, why they vary and what they do.

The Program Development and Delivery of Service will continue. The Administration and Financial responsibilities will improve with your support of this Legislation and hopefully passing the same into Law.

Sincerely yours,

BRISTOL BAY NATIVE ASSOCIATION
Fred T. Angasan, Executive Director

A handwritten signature in cursive script that reads "David M. Jackson". The signature is written in dark ink and includes a long horizontal flourish extending to the right.

David M. Jackson

DJ/ba
Enclosures (3)

BRISTOL BAY NATIVE ASSOCIATION

P. O. BOX 189

DILLINGHAM, ALASKA 99576

PHONE (907) 842-5257 — 842-5258

November 19, 1981

Senator George H. Hohman, Jr.
P.O. Box 289
Bethel, Alaska 99559

Dear Senator Hohman:

During the last Legislative Session, House Bill Number 608, Entitled: "An Act Establishing Uniform Administrative Procedures for Grants to and Contracts with Nonprofit Organizations;" was introduced in the House on June 9th. This Bill will in all probability be reintroduced in the House and Senate during the next Legislative Session.

On behalf of the Bristol Bay Native Association, I am soliciting your support of this Legislation.

As a member of the Nonprofit Financial Officers Association and with that Association, The Department of Administration and Lt. Governor's Office these administrative procedures have been developed into a very useful manual. We only lack the Legislation to adopt these procedures and place the entire mechanism into operation.

The Association has operated various State funded Programs and Contracts for eight years now and believe me each State Department has either their own regulations or more than often no regulations dealing with Contractual agreements and Delivery of Services.

I am enclosing several items for your information:

1. Copy of HB 608.
2. Information sheet on indirect.
3. Association's resolution supporting this Legislation.

I sinerely thank you for your assistance in this matter. If you should have any questions please do not hesitate to contact my office.

Sincerely yours,

BRISTOL BAY NATIVE ASSOCIATION
Fred T. Angasan, Executive Director



David M. Jackson

DJ/bs
Enclosures

BRISTOL BAY NATIVE ASSOCIATION

P. O. BOX 189
DILLINGHAM, ALASKA 99576
PHONE (907) 842-5257 — 842-5258

November 17, 1981

Representative Joseph Chuckwuk
P.O. Box 8
Dillingham, Alaska 99576

Dear Joe:

During the last session, House Bill number 608, entitled: "An Act Establishing Uniform Administrative Procedures for Grants to and Contracts with Nonprofit Organizations;" was introduced June 9th. This Bill will in all probability be reintroduced during the next session.

On behalf of the Bristol Bay Native Association and the other Regional Nonprofit Corporations, I am soliciting your support of this legislation.

As a member of the Nonprofit Financial Officers Association and with that Association, the Department of Administration and Lt. Governor's Office these administrative procedures have been developed into a very useful manual. We only lack the Legislation to adopt these procedures and place the entire mechanism into operation.

The Association has operated various State funds Programs and Contracts for over eight years now and believe me each State Department has either their own regulations or more than often no regulations dealing with contractual agreements and delivery of services.

I am enclosing several items for your information:

1. Copy of HB 608
2. Information sheet on indirect
3. Association's Resolution supporting this Legislation.

I sincerely thank you for your assistance in this matter. If you should have any questions please do not hesitate to contact my office.

Sincerely yours,

BRISTOL BAY NATIVE ASSOCIATION
Fred T. Angasan, Executive Director



David M. Jackson

DJ/bs
Enclosures

KODIAK AREA NATIVE ASSOCIATION

Post Office Box 172 - Kodiak, Alaska 99615 - Phone (907) 486 - 5725



December 28, 1981

Senator Bob Mulcahy
P.O. Box 246
Kodiak, Alaska
99615

Dear Senator Mulcahy:

The legislation, HB608, is strongly supported by the Kodiak Area Native Association. The passage of this legislation is vital to the Alaska Native Non-Profit Associations in their continued effort to deliver service to their constituents.

The passage of this legislation is extremely important and that it be in place prior to the implementation of the "block grant" system of fund distribution through the State by the Federal government.

If there is anything at all that we, the Non-Profits, can do to assist in the passage of this important legislation, please contact me at my office.

Sincerely,

KODIAK AREA NATIVE ASSOCIATION

A handwritten signature in cursive script that reads "Ione M. Norton". The signature is written in dark ink and is positioned above the printed name and title.

Ione M. Norton
President

IMN:sl

cc: Non Profit Presidents
Non Profits Administrative Officers
Non Profit Comptrollers

ALASKA FEDERATION OF NATIVES, INC.
1980 ANNUAL CONVENTION
OCTOBER 25, 1980

RESOLUTION #80-19

TITLE: INDIRECT COSTS

WHEREAS, it has been deemed by the Legislature and the Administration to be in the public interest to contract with Alaska Regional Non-Profit Native Associations and other federally recognized tribal entities for the conduct and administration of certain government services; and

WHEREAS, this policy is entirely appropriate, insofar as such organizations are directly accountable and responsive to their various constituencies and are generally more efficiently operated than government bureaucracies, and are inherently sensitive to the needs and concerns of the people for whom the governments services were intended; and,

WHEREAS, most non-profit corporations/other federally recognized tribal entities administer grants and contracts from a variety of sources, including (but not necessarily limited to) the following:

- a. State of Alaska General Fund,
- b. United States Government,
- c. State of Alaska "pass through" of U.S. Government Funds, and
- d. Private sources; and

WHEREAS, the reality of this wide variety of funding sources carries with it a wide variety of administrative requirements, many of which are contradictory and/or duplidative, leading unnecessarily to administrative chaos and a resultant lack of accountability to either funding sources or constituencies; and,

WHEREAS, as the granting and/or contracting source of either direct General Fund appropriations and/or Federal "pass-through" funds, officials of the State of Alaska are clearly in a position to rectify many of the problems noted above, and it is their responsibility to the public interest to do so; and,

WHEREAS, the Non-Profit Financial Association (an organization originally sponsored by Rural CAP to address the management and administrative concerns of the non-profit corporations serving primarily Native Alaskan constituencies within the State of Alaska) has met and devised recommendations which, if adopted and implemented, would relieve unnecessary burdens imposed by funding sources on the administration of non-profit corporations/federally recognized tribal entities, thereby allowing those organizations to direct their energies to more effectively serving their constituencies;

NOW THEREFORE BE IT RESOLVED that the delegates to the 1980 Convention of the Alaska Federation of Natives in conference assembled, do hereby endorse the recommendations of the Non-Profit Financial Association and urge the Governor and Legislature to take such steps as may be necessary in order to adopt and implement those recommendations; and

BE IT FURTHER RESOLVED, that said recommendations include, at a minimum, the following:

- a. that the State of Alaska develop (in consultation with the Non-Profit Financial Association) a standard policy and procedures manual for the governance of all grants and contracts, the funds for which originate with the State General Fund. Such a manual should include Standard Policies and Procedures for application, budgeting, indirect cost rate establishment, payment, reporting, and auditing.
- b. that a similar manual be developed for all U.S. Government "pass through" funds administered by the State of Alaska, with appropriate sections as may be required to meet the statutory and/or regulatory constraints of the U.S. Government funding source.
- c. that, in the event a non-profit corporation or other federally recognized tribal entities, have negotiated an indirect cost rate with the U.S. Government, the State of Alaska will honor that rate in all of its grants and contracts (whether the funds for said grants and contracts originate with either the State General Fund or the U.S. Government).
- d. that, in the event a non-profit corporation/federally recognized tribal entity does not have an indirect cost rate negotiated and established with the U.S. Government, the State of Alaska will, at the request of the organization, negotiate such a rate based upon the cost principles established by OMB Circular A-122, and will likewise apply the rate agreed upon to all grants and contracts entered into between the State of Alaska and each organization.
- e. that the State of Alaska establish a "revolving advance fund" to be administered by the Department of Administration, for the purpose of providing advances to contractors entering into cost-reimbursable contracts with the State.

- f. that the State create an "indirect cost fund", for administration by the Department of Administration, which would be used to pay the difference between a non-profit corporation's negotiated indirect cost rate and statutory and/or regulatory limits on U.S. government funds being administered by the State on a pass-through basis.
- g. that the State establish an annualized certification process for non-profit corporations/federally recognized tribal entities, certifying such organization's geographic and demographic limits, its accounting and administrative capabilities, and its eligibility to operate certain programs (or classes of programs) on behalf of the State of Alaska, with such certification to be annually reviewed and renewed and applicable to all grants and contracts between each such organization and the State; and

BE IT FURTHER RESOLVED, that the Legislature and the Governor are urged to adopt and implement other recommendations which the Regional Non-Profit Native Organizations may, from time to time devise for the purpose of establishing a smooth operational structure for State programs designed to serve Native Alaskans.

CONVENTION RECOMMENDATION: DO PASS



Alaska State Legislature
RECEIVED DEC 18 1981

SENATOR
BOB MULCAHY
REPRESENTS
THE ALLEUTIAN ISLANDS,
P. O. BOX 189,
DILLINGHAM, ALASKA 99576



HOME ADDRESS
P.O. BOX 241
PODIAK, ALASKA 99578
(907) 486-3501
DURING SESSION
PO BOX 5
JUNEAU, ALASKA 99801

State Senate

December 15, 1981

Mr. David M. Jackson
Bristol Bay Native Association
P.O. Box 189
Dillingham, AK 99576

RE: HB 608

Dear Dave:

I want to thank you for alerting me to the above bill, and the back-up material that was included.

As I am sure you are aware, this bill is in House State Affairs, with a referral to House Finance. To be quite honest, I had not even read it until you brought it to my attention.

I will be looking forward to working with you on this or other legislation that is of interest to the Bristol Bay Native Association.

Warmest regards for the holidays, and the New Year.

Sincerely,

Senator Bob Mulcahy

BM:tch

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United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

J. KEITH KENNEDY, STAFF DIRECTOR
THOMAS L. VAN DER VOORT, MINORITY STAFF DIRECTOR

December 23, 1981

Mr. Carl L. Lake
Controller
Rural CAP, Inc.
P.O. Box 3-3908
Anchorage, Alaska 99501

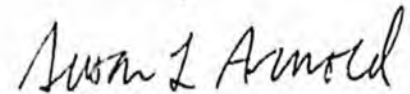
Dear Mr. Lake:

As Senator Stevens is in Alaska during the Christmas recess, I have been asked to thank you for providing this office with a copy of your letter to Governor Hammond regarding House Bill 608, currently pending in the Alaska State Legislature.

When the Senator returns, I will inform him of your interest in establishing uniform administrative procedures in Alaska for State grants or contracts to non-profit organizations. I know Senator Stevens will appreciate you keeping him informed of your concerns.

Thank you again for your letter.

Sincerely,



Susan L. Arnold
Staff Assistant to
TEL STEVENS



Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

December 29, 1981

Carl L. Lake
Controller
Rural CAP, Inc.
P. O. Box 3-3908
Anchorage, Alaska 99501

Dear Mr. Lake:

I recently received a copy of your letter to Governor Hammond stating your support for House Bill 608, which would establish uniform administration procedures for non-profit grants and contracts.

Your views and suggestions are greatly appreciated, and I will keep your concerns in mind when the legislature again convenes and the Senate addresses the matter.

Thank you for contacting me, and please feel free to do at any time if I may be of assistance to you.

Sincerely,


Senator Jay Kuttala
Senate President

JK/GCT/skt

Handwritten: Miller
JAY S. HAMMOND
GOVERNOR



Handwritten: 10/25
TERRY MILLER
LIEUTENANT GOVERNOR

STATE OF ALASKA
LIEUTENANT GOVERNOR
JUNEAU

December 18, 1981

Maxim Dolchok
Executive Director
Cook Inlet Native Association
670 West Fireweed Lane
Anchorage, Alaska 99503

Dear Max:

Thank you for your letter advising me of CINA's resolution calling for the establishment of Uniform State Administrative procedures for grants to, and contracts with, non-profit organizations.

I have been aware of this problem for some time now, and am also aware of the extensive work being done by the non-profit controllers association to seek uniformity in contracting. Shortly after the holidays, I will be returning to Juneau and will explore this issue more fully with appropriate staff and state officials. This situation has become very cumbersome for service agencies and, of course, a shift in emphasis from federal to state funding will only exacerbate it, unless an appropriate solution is found.

Max, I hope you have a happy holiday season, and I will be getting in touch with you shortly after the first of the year.

With best regards, I remain

Handwritten signature of Terry Miller
Sincerely yours,

Terry Miller
Lieutenant Governor

JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

December 22, 1981

Mr. Carl L. Lake
RurAL CAP, Inc.
Administration
P.O. Box 3-3908
Anchorage, AK 99501

Dear Mr. Lake:

Governor Hammond received your correspondence on the 18th of December. A more complete response to your concerns will be forthcoming.

Sincerely,

A handwritten signature in cursive script that reads "Susan Rogers".

Susan Rogers
Executive Secretary

PATRICK RODEY
ANCHORAGE

601 W. 5TH AVE. SUITE 020
ANCHORAGE, ALASKA 99501

DURING SESSION

POUCH V
JUNEAU, ALASKA 99811

Alaska State Senate
JUNEAU, ALASKA 99811

December 21, 1981

Mr. Carl L. Lake
Controller
Rural CAP, Inc.
P.O. Box 3-3908
Anchorage, AK 99501

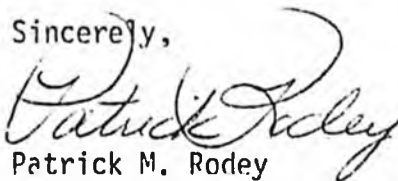
Dear Mr. Lake:

Thank you for forwarding a copy of the letter to Governor Hammond requesting support for HB 608.

I have spoken to Mike Szymanski of Cook Inlet Native Association about this bill already and am committed to supporting it when it reaches the Senate.

Again, thank you for the information.

Sincerely,



Patrick M. Rodey
Senator

PMR/ds

Rural Alaska Community Action Program, Inc.

February 5, 1982

Representative Ray Metcalf
State of Alaska House of Representatives
Pouch V
Mail Stop 3100
Juneau, Alaska 99811

Reference: HB 608

Dear Representative Metcalf:

Although scheduled to be in Juneau on Thursday, January 28, 1982, to attend the State Affairs Committee hearing on HB 608, the fates (abetted by Mother Nature) decreed that Arlene Patton (Administrative Officer for the Aleutian/Pribilof Islands Association) and I would spend the afternoon ensconced within the confines of the Sitka airport. Our Thursday morning flight from Anchorage was unable to land in Juneau and it was subsequently routed to Sitka where we could do little more than wait for the evening flight back to Anchorage.

Arlene Patton and I had planned to attend the hearing on HB 608 as representatives of the Non-Profit Financial Association (NPFA). Since we were unable to attend the hearing, we felt that the best alternative would be to attempt a presentation of our comments via this letter and its attachments. However, regardless of what the phone company claims, this method, or a phone call, is not the next best thing to being there. We hope that this letter, and the testimony expected during the February 11th teleconference, will provide appropriate support for the passage of House Bill 608. The reforms inherent in this piece of legislation would go a long ways towards making the operations of both nonprofits and State agencies more efficient and effective.

Many of the nonprofit organizations within the state (especially the regional Native nonprofit corporations) are multipurpose agencies: that is, they administer a number of federal and state programs. Normally, the nonprofit organization is structured to contain a Board of Directors, an administrative unit (which includes the Executive and Accounting/Data Processing Departments) and a number of programmatic divisions. The Board of Directors and the Administrative unit provide the necessary managerial and financial control and support for the entire organization.

The fact that an agency can administer a number of programs from a variety of funding sources leads to an interesting paradox: the economies of scale allow the multipurpose agency to administer its programs more efficiently and effectively than would be possible if each program or grant were established as a separate entity. However, each grant or contract comes with its own set of rules and regulations that often conflict with, or at least differ from, the procedures required for other programs. The federal government has recognized this distinct administrative problem and has attempted to regulate it by the introduction of Office of Management and Budget (OMB Circular A122), which establishes one set of cost principles for all nonprofit organizations. Additionally, the federal government is attempting to ease the audit situation by allowing organizations to perform a single financial audit of all funds within the entity's scope of responsibility instead of requiring individual, and more costly, audits of each program. The purpose of these two changes were not to lessen the fiscal responsibility of the nonprofit organization but to provide one set of rules within which the nonprofit could operate. The effect has been to reduce the overall administrative burden and allow the organizations to concentrate on providing the services for which they were responsible.

The NPFA recognized in 1980 that the federal effort, although helpful, would not provide a solution unless coupled with a similar uniformity of rules and procedures within state-sponsored grants and contracts. In September of 1980, the NPFA sponsored a meeting in Juneau with State officials to begin the process of developing a uniform set of procedures that the State could utilize when granting funds or contracting with nonprofit organizations. In December of 1980, the NPFA developed a set of administrative procedures based both on OMB Circular A122 and on proposed administrative code changes then being promulgated by the State Department of Health & Social Services (Division of Management & Budget). After numerous discussions with State officials, including representatives from both the Governor's and Lieutenant Governor's offices, it was decided that the appropriate method to establish uniform administrative procedures on a Statewide basis was the submission of a Bill through the House of Representatives. This Bill, House Bill 608, requires that the Department of Administration develop the proper procedures for all State departments to use for grants and contracts to nonprofit organizations. HB 608, as you know, was a late entry into last year's legislative hopper. It was referred to the House Finance Committee and the House State Affairs Committee where it has remained until the renewal of interest during the current Legislative session.

HB 608 was not introduced as an attempt to lessen the fiscal control or responsibility on the part of a recipient of a State grant or contract. Nor was it an attempt to eliminate special programmatic requirements attached to certain funds. Simply speaking, the Bill is intended to rectify a situation that is costly and inefficient, both for the State departments and the recipients of State funds.

It makes a great deal of sense to have one set of administrative procedures for all State departments rather than have each department, and possibly divisions within each department, spend its time and effort to establish its own set of rules. The State's prime purpose of serving the people would be enhanced by the approach itemized and inferred in HB 608.

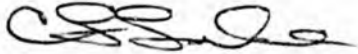
Additionally, although not addressed by HB 608, it would also make sense for one State agency to be responsible for all fiscal audits of State fund recipients, especially nonprofit organizations. Many of the nonprofit organizations within Alaska are audited annually by an independent CPA firm. If the appropriate uniform rules are established and the specific programmatic conditions attached to particular funds are adhered to, it would be logical and cost effective for the State to rely on those independent audits. The current practice is to either require a separate audit of State funds, have the audit performed by audit staff within the State department, or have no audit at all.

The establishment of a uniform set of rules and the contraction of all audit responsibility within one department (possibly the Department of Administration) would reduce costs for the State and eliminate the present duplication of both fiscal and audit responsibility. It would also provide the State with a greater degree of control over how its funds are being used. The present overlapping of rules and responsibilities generates inefficiency: not only are different rules being applied but different people are interpreting those rules.

The NonProfit Financial Association feels that the reforms indicated in HB 608 and the subsequent development of uniform administrative procedures would be a logical and correct step forward for the State. We are presently learning that President Reagan is determined to channel more funds through the State in the form of Block Grants. A large amount of this money will be channeled by the State to nonprofit organizations as they are quite often the appropriate service delivery vehicle for many of these programs. The State must have a coherent and cohesive vehicle for administering this larger segment of dollars that it is responsible for.

We appreciate the time that you and your committee have taken concerning HB 608. We would welcome the opportunity to provide you with any additional information that you may require during the course of future deliberations and we hope the attachments are helpful. We thank you for your efforts.

Sincerely,



Carl L. Lake
Controller

On behalf of the Non-Profit Financial Association

cc: Representatives Mitchel Abood,
Kenneth Fanning, Fred Brown,
Mike Miller, Al Adams

Rural Alaska Community Action Program, Inc.

December 15, 1981

The Honorable Jay Hammond
Governor of Alaska
Office of the Governor (M/S 0101)
Pouch A
Juneau, Alaska 99811.

Dear Governor Hammond:

I am writing this letter on behalf of the Non Profit Financial Association (NPFA), a working group of financial officers from non-profit organizations, including the Regional Native Non-Profits. For more than a year we have been trying to work with the State in an attempt to establish a rational and uniform set of procedures for the State to use when administering grants and contracts to non-profit organizations. To date, we have had limited success, even though our approach is not only fiscally sound but physically possible.

The specific purpose of this letter is to urge you to support the passage of House Bill 608 (copy attached). Introduced late in the last legislative session, it is still pending before the House Finance Committee. HB 608 would establish uniform administrative procedures for State grants or contracts with the non-profit organizations, eliminating much of the duplication and confusion within the current conflicting systems. With the responsibility for establishing these uniform procedures resting with the Department of Administration, each department would be treated in an equitable fashion and would retain full responsibility and control over all specific programmatic functions.

The State currently provides many services to its citizens through the various non-profits and, with the advent of the Block Grants, will be responsible for the administration of more funds that will ultimately be allocated to the Non-Profits. The State needs the Non-Profits as they have the systems in place to provide the necessary services in a more efficient

The Honorable Jay Hammond
December 15, 1981
Page Two

and cost effective manner than could the State. It is in the State's best interest to allow the Non-Profits to administer these funds in a coherent and cohesive fashion, while at the same time maintain a greater degree of fiduciary control through uniform procedures and centralized review of the non-profits' administrative and financial systems.

The establishment of uniform administrative procedures would save money and time for all concerned. The funding department within the State could be concerned solely with the programs for which it is responsible and not have to worry about establishing administrative procedures for its grantees or contractors. The Non-Profit could administer its program within one set of financial guidelines rather than being forced to comply with many conflicting sets of rules. This situation would be enhanced if the procedures established by the Department of Administration were consistent with both the Federal Management Circular (FMC) 74-4 and Office of Management and Budget (OMB) Circular A-122. (These two circulars provide the majority of the fiscal regulations within which the Non-Profits currently operate their federal grants and contracts.)

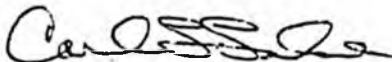
If the State continues to utilize the non-profits to provide necessary services, it makes a great deal of sense to allow those services to be provided in the most efficient fashion possible. One set of administrative procedures, consistent with FMC 74-4 and OMB Circular A-122 would certainly help to create an efficient environment within which the Non-Profits could administer their State and Federal dollars. A consistent and uniform set of procedures would allow the Non-Profits to spend the majority of their time and energy towards operating the necessary services as dictated by the various funding sources.

Please take the additional time to review the attached copy of HB 608 along with the short paper on indirect costs. As shown on the attached copy of HB 608, we would recommend that the proposed language in 1-H be deleted as redundant. With this minor exception, we urge that you give HB 608 serious consideration and support towards passage in this upcoming session. The establishment of uniform procedures for Non-Profits, especially if the Non-Profits are allowed serious input into the process, would provide the means to make these programs more workable.

The Honorable Jay Hammond
December 15, 1981
Page Three

Thank you very much for your time and your patience. If you have any questions or would like additional information, please do not hesitate to call on me or any of the people on the attached listing.

Sincerely,



Carl L. Lake
Controller
RurAL CAP, Inc.
on behalf of the Non Profit Financial Association

Attachments:

- 1) HB 608
- 2) Paper on Indirect Costs
- 3) NPFA Mailing List

cc: Lt. Governor Miller
Alaska State Legislators
RurAL CAP Board of Directors
Non-Profit Financial Association
State Officials

Introduced: 6/9/81
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY MEEKINS AND BEIRNE

2 HOUSE BILL NO. 608

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing uniform administrative procedures
7 for grants to and contracts with nonprofit organiza-
8 tions; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. FINDINGS. The legislature finds that there is a need for
11 consistency and uniformity in administration of grants and contracts to
12 nonprofit organizations. The legislature further finds that nonprofit
13 organizations that receive grant or contract money from the state, for
14 programs to benefit the residents of the state, should have sound adminis-
15 trative structures including (1) a governing board, (2) a personnel system,
16 (3) an accounting system, and (4) appropriate administrative personnel.
17 These administrative costs should be allowed as indirect cost rates that may
18 be unique and individual for each nonprofit organization that receives grant
19 or contract money from the state. The indirect cost rates should be deter-
20 mined individually for each organization based on independent final audit of
21 the indirect costs for each grant or contract.

22 * Sec. 2. AS 37.05 is amended by adding a new section to read:

23 Sec. 37.05.317. ADMINISTRATIVE PROCEDURES FOR GRANTS TO AND
24 CONTRACTS WITH NONPROFIT ORGANIZATIONS. The Department of Administra-
25 tion shall

26 (1) develop uniform procedures for grants to and contracts
27 with nonprofit organizations, including

28 (A) uniform proposal application procedures;

29 (B) uniform application review requirements;

1 (C) a consistent application of cost principles for
2 nonprofit organizations;

3 (D) provisions for a consistent acceptance and payment
4 of negotiated indirect cost rates using the federal cost rate if
5 applicable or, if the federal rate is not applicable, a cost rate
6 negotiated by the state with provisions for payment of individual
7 costs based on final determination of the indirect cost properly
8 incurred as shown by a fully certified audit by an independent
9 audit firm;

10 (E) provisions for advances of grant or contract money;

11 (F) provisions for annual audits;

12 (G) requirements of annual certification of administra-
13 tive systems of the organization;

14 ~~** (DELETE) (H) identification and segregation of indirect costs~~
15 ~~relating to each grant;~~

16 (2) annually examine the administrative system of nonprofit
17 organizations on request of the organization and if the system is
18 determined to be adequate for the purpose of state grants or contracts
19 certify that the organization is eligible to receive state contracts or
20 grants;

21 (3) require that each contract with or grant to a nonprofit
22 organization from a state agency provide for payment of indirect costs
23 of administration of the contract or grant at the rate established in
24 the contract.

25 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
26 070(c).

27 ~~** NOTE: WE RECOMMEND DELETION AS THIS IS COVERED~~
28 ~~UNDER (C) + (D).~~

Rural Alaska Community Action Program, Inc.

TO: DISTRIBUTION

DATE: May 26, 1981

FROM: Phil Smith
Executive Director

SUBJECT: Attached Paper - Explanation of Indirect Costs

Attached, for your information, is a copy of a paper prepared by Carl Lake, Rural CAP Controller, which explains the basic principles of indirect costs - why they're necessary, how they're applied, why they vary, and what they do. The paper was prepared at the request of several legislators who needed the information.

In my experience, this is the best "layman's" explanation of the topic I've yet come across - I'm hopeful that it will go a long way towards dispelling the confusion and resentment that seems to occur whenever the subject is brought up.

We welcome your thoughts on this issue.

DISTRIBUTION: AFN
ANF
Regional Nonprofits
Board of Directors
Department Heads
Commissioner McAnerney
Commissioner Kudson
Ron Lehr, Director, Budget & Management

PJS/mb

WHY INDIRECT COSTS?

by: Carl Lake, Controller

Rural Alaska Community Action Program

Indirect costs have been called a number of things over the years: "administrative costs/charges," "overhead," "allowable costs" and "rip-off." Simply speaking, indirect costs are those costs of an organization that cannot be directly charged to any one grant or contract administered by that organization.

Nonprofit organizations are unique in that each and every piece of funding they receive must be accounted for separately and must have its own full set of accounting records. Expenditures under each grant or contract must be reported separately and funding agencies often require different financial and auditing restrictions. This requires the organization to develop complex and sometimes even cumbersome accounting systems to properly account for those dollars in a fiscally responsible fashion.

Some nonprofits are very simple units and, even though they may be very large in dollar volume, administer only one or two grants. Usually these "single-purpose" agencies do not require an indirect rate even though, like all organizations, they do have administrative costs. Since these administrative costs can be readily identified with the programs administered, they are normally charged directly to those program funds.

Other nonprofits are "multi-purpose" organizations which administer a multitude of diverse programs from a number of funding sources. They operate under the theory that it is more efficient in both economic and practical programmatic terms, for one agency to administer a number of programs than for each program to be operated by a separate entity. For example, while it may take \$600,000 to administer a \$7.5 million agency with 25 different grants or contracts, it is demonstrable that, if each grant or contract were provided to

a separate organization, the actual aggregate administrative costs could exceed well over one million dollars.

Because the multi-purpose agency administers a wide variety of grants and the administrative costs cannot be readily identified as applicable to each of the grants or contracts, the agency requires some type of cost allocation plan to allocate the administrative costs to the appropriate funds. Over the course of the last ten years, the Federal government has recognized that non-governmental agencies needed a simplified and unified method to allocate these costs. Therefore, it developed the rules outlined in OMB Circular A-122 (along with other governmental publications) to provide the procedures and principles for establishing and operating an indirect cost rate. Major Federal funding agencies have departments that are responsible for reviewing, negotiating, approving and monitoring indirect cost rates with nonprofit organizations. When an organization receives funding from more than one Federal agency, one of them (normally the one providing the most funding) is designated as the lead ("cognizant") agency. It is the responsibility of that agency to negotiate with the nonprofit to establish an indirect cost rate. The process for establishing an indirect cost rate is very simple in theory: one isolates all of the costs that cannot be charged directly to a grant, divides these costs by the total dollars available to the agency and the resulting figure should be the indirect rate. However, many factors have to be taken in consideration before a final determination is made. Some of the program funds may require demonstrably less administrative attention or management support than others and therefore should be excluded from the base of program dollars and treated as "pass-through" funds with a separate rate. Other funds may be handled at a different location from the main office and require separate treatment with an "off-site" rate. Still other costs, including capital equipment purchases, must be excluded from the program dollar base prior to any rate calculation. Also, the Federal government in its infinite wisdom, may place statutory restrictions on certain programs (eg., CETA, some Aging programs and Weatherization), limiting more than a certain percentage of total funds for administrative costs. This practice places

a greater burden on other funding sources, requiring them to pay more than their "fair share" of administrative costs. There are also grants (eg., some State grants and contracts) that refuse to pay any administrative costs, again adding a disproportionate burden to those funds that do participate in the payment of administrative costs. When these extreme limitations are placed on a program, the administering nonprofit is faced with the decision to simply refuse the program or to accept it and face consequences which, in the extreme, could mean bankruptcy.

There are also a variety of methods used in determining the types of costs that are to be included in the administrative or indirect costs pool. Some agencies, such as RurAL CAP, charge the various programs directly for costs such as rent, telephone (local and toll calls) utilities, janitorial services and copier costs. Since these costs are charged directly to individual grants (with the exception of those portions related directly to the administrative unit) they do not show up in the indirect pool. Consequently, all other things being equal, RurAL CAP would have a much lower indirect rate than other similar agencies. RurAL CAP makes the considerable effort to make these direct charges because some of its funding sources will not permit any allocation of indirect costs and this is the only way these funds can be utilized to pay their appropriate share of these proper administrative expenses.

Other nonprofits pool all of the above charges (with the possible exception of telephone toll charges and, sometimes, rent) into the indirect pool and charge each program its share through an indirect rate charge. This approach is based on the premise that all of the funds are paying proportionately the same share of the costs while receiving the same general benefits.

Another variance in the application of an indirect rate is the base against which one applies the rate. Some agencies simply apply the indirect rate against total program dollars expended while others apply the rate against another figure, such as direct program salaries. Therefore, an agency with an indirect rate of 56% against a direct salary base may not have an actual

rate higher than one with a 26% rate against all available program dollars.

All of the above variations must be taken into account when trying to compare one agency's indirect rate with another. One must also consider that an agency's administrative budget is relatively fixed over a rather wide range of dollar volume. If, for example, an agency's administrative costs are budgeted at \$800,000 with available program dollars of \$6.5 million, the administrative costs will probably stay the same if there is a three to four million dollar fluctuation in program dollars. In this (admittedly over-simplified) example, the indirect rate (if all exclusions and restrictions have been considered) would be 12.3%. If the agency lost \$3 million of funding, the effective indirect rate would be 22.9%. If funding increased by \$3 million, the indirect rate would be 8.4%. This is an over-simplification to be sure but it is important to note that a variety of factors are involved that affect the indirect rate.

There are also a number of factors involved to make sure that the agency does not receive more indirect dollars than it was entitled to for the fiscal year. In the above example, the agency would probably have negotiated a provisional rate of 12.3% from its primary (cognizant) funding source based on projections of costs prior to the beginning of its fiscal year. If additional funds were received during the year and these funds would drastically affect the provisional indirect rate, the agency would probably re-negotiate its rate with its cognizant agency, resulting in a lower rate for all affected funds. In any event, the provisional rate is reviewed by the agency's own auditors and, after audit, by the funding agency itself. If the nonprofit received more indirect funds than it was entitled to, it is required to repay these funds, usually in the form of a reduction in the following year's indirect rate. If the organization received less than it was entitled to, it is obligated to bill each of its funding sources for their share of the difference.

At no time does the organization "profit" from the indirect rate process. The entire procedure is fully monitored both by independent auditors, by officials of the cognizant agency, and by the organization's board of directors and senior management staff. If the nonprofit has under budgeted for necessary administrative costs or overestimated projected funding levels, it will operate in a cash deficient position for a considerable length of time. Renegotiation, recalculation, and reallocation of funds is eventually required (frequently post-facto) in order to bring the books into alignment with reality.

Most multi-purpose nonprofit organizations operate in a functional fashion with a mandated community-based board of directors and an administrative unit consisting of executive management, accounting/data processing, and clerical staff. Costs for these functions are normally considered indirect. The program departments are responsible for one or more grants or contracts and/or share the responsibility for some funds with other departments. To a large degree, the organizational structure is very similar to that of the State government, albeit on a smaller scale. The administrative unit of a nonprofit organization could be equated to the executive branch of State government while the board of directors is similar to the legislative branch. Within the State government at least a large portion of the costs of both the administrative and legislative branches could be considered indirect or administrative costs when related to the programs actually providing services to the citizens of Alaska.

Whatever name one applies, the functions of supervision and oversight are indirect costs, whether the costs are incurred by the State or a nonprofit organization. Skilled management personnel are necessary to administer the variety of funds which are the responsibility of an organization and an impartial body with power and authority to control the actions of that entity is likewise necessary. Like the old football argument concerning the relative importance of the line versus the back field, you cannot have program operations without some type of policy direction and administrative support. It is recognized

by all nonprofit organizations that every effort must be made to keep administrative costs as low as possible so that as many of the agency's limited funds as possible are available for necessary programs and services. However, if administrative funds are reduced to a level that cannot support the retention of viable policy-making structures with skilled management and accounting personnel, the organization will eventually be unable to operate any program in a responsible and fiscally sound fashion.

If nonprofits were not available to administer programs designed to serve the needs of many of Alaska's citizens, the State would be required to operate these programs. This eventuality would not only increase the size of government (a trend that the current legislature is seeking to reverse), it would also increase its costs. Clearly, it is in the State's interest to use existing service delivery networks that are directly responsive and responsible to the people they serve. The acceptance of the necessity for indirect costs to support these structures, and the implementation of comprehensive and uniform policies for contracting with the nonprofit sector will increase the efficient use of State funds.

NON-PROFIT FINANCIAL ASSOCIATION MAILING LIST

Mr. Thomas U. Rachal, Jr.,
Controller
Alaska Native Foundation
411 West 4th Ave., Suite 314
Anchorage, Alaska 99501
Telephone: (907) 274-2541

Ms. Arlene Patton,
Administrative Officer
Aleutian/Pribilof Islands Ass'n
1689 "C" Street
Anchorage, Alaska 99501
Telephone: (907) 276-2700

Mr. John George Peter,
VP - Finance
Association of Village Presidents
P. O. Box 219
Bethel, Alaska 99559
Telephone (907) 543-3521

Mr. David Jackson, Controller
Bristol Bay Native Association
P. O. Box 179
Dillingham, Alaska 99576
Telephone: (907) 842-5257/5258

Ms. Sharon Sobocienski
Deputy Director - Support Services
Cook Inlet Native Association
670 West Fireweed Lane
Anchorage, Alaska 99503
Telephone: (907) 278-2641
265-1201

Ms. Patricia Mitchell, C.P.A.
% Tom Craig, Executive Director
Copper River Native Association
Drawer H
Copper Center, Alaska 99573
or Box 1137 - Anchorage 99510
Telephone: (907) 822-241

Executive Director
Fairbanks Native Association
310 First Avenue
Fairbanks, Alaska 99701
Telephone: (907) 452-1648
456-5151

Inupiat Community of the Arctic Slope
P. O. Box 437
Barrow, Alaska 99723
Telephone: (907) 852-2411

Lee Little, Controller
Kawerak, Incorporated
P. O. Box 948
Nome, Alaska 99762
Telephone: (907) 443-5231

Mr. Don Skaw, Comptroller
Kodiak Area Native Association
P. O. Box 172
Kodiak, Alaska 99615
Telephone: (907) 486-5725

Mr. Gordon Melms, Controller
The North Pacific Rim
903 W. Northern Lights Blvd.
Suite 203
Anchorage, Alaska 99503
Telephone: (907) 276-2121

Mr. Bob Taylor, Director,
Finance and Administration
Tanana Chiefs Conference, Inc.
First & Hall Streets
Fairbanks, Alaska 99701
Telephone: (907) 452-8251

Mr. Carl L. Lake, Controller
Rural Alaska Community Action Program
P. O. Box 3-3908
Anchorage, Alaska 99501
Telephone: (907) 279-2511

Ms. Margaret Russell, Comptroller
Maniilaq Association
Box 256
Kotzebue, Alaska 99752
Telephone: (907) 442-3311/3313



Alaska State Legislature

House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

DATE: February 22, 1982

TO: Carl Lake

FROM: Ann Krekelberg, Staff *AK*
House State Affairs Committee

RE: HB 608

Enclosed is a copy of the tape of the February 11 teleconference on HB 608. There was a little trouble with the cassette recorder we were using at the time, so the tape starts about 5 minutes into the teleconference.

Alaska

MUNICIPAL

League

TELEPHONES
907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

2-24-82
Requested work draft w/ this language

HB 618 - State Aid to Municipalities for Capital Projects

suggested amendment to include cost of living adjustments in the distribution formula:

redesignate the existing "(b)" as "(b)(1)", and add a new

"(b)(2). Payments to a municipality under this section shall reflect area cost-of-living differentials, as determined annually by election district under the provisions of AS 39.27.030. Adjustments of payments shall be determined by prorating amounts by a factor which, when applied, reduces all payments in equal proportion so that payments equal "TA", total amount available for distribution."



Alaska State Legislature

House of Representatives

Committee on State Affairs

Official Business

1-28. + 2-11

NOTIFICATION SHEET
BILL NO. HB 608

Pouch V
State Capitol
Juneau, Alaska 99811

NAME	ORGANIZATION	PHONE NO.
¹⁻²⁰ Bristol Bay Native Assoc.	David Johnson - told me to send 10 copies of 60¢ card	842-5257 latitude number 377-2681
¹⁻²⁸ Carl Lake will	Rural Coop (will contact 1-2-9)	279-2511
Arlene Patton	Aleutian Prob. Conf.	
Don Shaw	Kodiak Area Native Assoc.	
AIB ^{ask for} Caddoch	non profit	62049
AEN Contact these	Director Coordinator Frank Jensen	
Andy Ray Caddoch	Tlingit - Haida	61432 63613
Don Williams ^{will call back}	U.P. of Admin" ofc	
Dept of Admin	Dick Smith 2-9	2200
* Marsha Hubbard ^{will call}	H & SS ²⁻⁹ Mgmt + Budget	3331
Gannis Harris	KTOO	
^{phone number} Kawerab, Inc	sent letter to Rep. Matson Seland Little with training sessions 100 copies	4435231 X14
Cook Inlet Native Assoc	Marion Dolchok	2784641
Cook Inlet Regional ^{U.P.}	Ray Honderdoff / Bob Rude	2748638



Alaska State Legislature

House of Representatives

Committee on State Affairs

NOTIFICATION SHEET
BILL NO. _____

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

NAME	ORGANIZATION	PHONE NO.
Bethel	AUCP Area of U. of Alaska	NO 5433521
John Snow Carter	Council Chas	
Tom Crider	on vacar	out of state contact 222 3521
Herbert Shelton	Copper Center (AHTWA corp)	Possible
(None) See Little	Kasrick (None)	4435231 x14
Charly Johnson	King Straits	
David Jackson	Bristol Bay	will be at Anch. site
Bob Taylor	Fairbanks Tanana Chiefs	monitor there
	Chugach Native (corp)	
Aug. Bulford	Alaska, Pribilof Islands	both in
Arlene Patton	" "	Anchorage
Mitch Abocool		248 3102
Charley Northrup	AK Broadcasting	Petersonburg
	Kodiak	in
	Sitka	in



Alaska State Legislature

House of Representatives

Committee on State Affairs

Official Business

28 January 1982

Pouch V
State Capitol
Juneau, Alaska 99811

The House State Affairs Committee, chaired by Rep. Ray Metcalfe, will hold a public hearing via the Legislative Teleconference Network Thursday, February 11 at 8:00-9:00 P.M., PST. The topic of the hearing will be HB 608, establishing Administrative procedures for grants to and contracts with nonprofit organizations. Interested persons should contact their local Legislative Information Office to attend the meeting and for more information.

S. CRA

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. CSHB 608 (State Affairs)
Title Establishing uniform administrative procedures for grants/ non-profit org.
Requested by State Affairs Committee Date 2/24

II. FISCAL DETAIL
Agency Affected Department of Public Safety
Program Category Affected Administration of Justice
BRU, Program, Or Subprogram(s) Affected Council on Domestic Violence
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	Ø	Ø	Ø	Ø	Ø	Ø

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	Ø	Ø	Ø	Ø	Ø	Ø
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

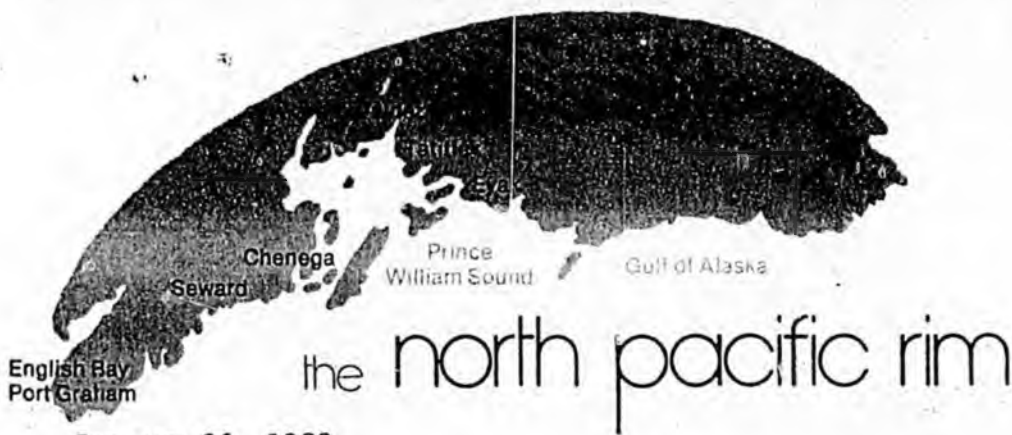
	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

IV. DATE 3/5/82 PREPARED BY Betsey W. McGuire/Exec. Dir.
AGENCY Dept. of Public Safety
Original: Legislative Finance PHONE 465-4356
cc: Budget and Management
Prime Sponsor (First Legislator Named)
33-001 (Rev. 12/81)

BWMC

7	A nch	Jessy Malsfor
3	Mat Sue	Walter Harris
1	Hans	Jer Tand
0	Kolar	Dave Thompson
2	Barrow.	
0	Seward	
1	Homer	Mary Henry
1	Home	Ivan
	Peaters	Burog



January 26, 1982

Ray H. Metcalfe
Pouch V
Juneau, Alaska 99811

Dear Representative Metcalfe:

Reference: House Bill 608

The North Pacific Rim is the regional Native non-profit corporation serving the Chugach region. Our Corporation has been providing health, educational and social services to the people of the Chugach Region for the past seven years. Federal cutbacks have reduced our funds by approximately one-third over the past two fiscal years. We realize that the State of Alaska recognizes the hardships caused by Federal cutbacks and will take steps to minimize the negative effects of these cutbacks where necessary. With the advent of Block Grants, the responsibility of the State to respond to the needs of the economically and educationally depressed peoples of rural Alaska will increase further.

The North Pacific Rim has not vigorously pursued State funding in the past due to the lack of established State standards, mechanisms and procedures. If a rational and uniform set of procedures were to be adopted, our funding proposals could be accepted or rejected based on the needs of our region, the ability of The North Pacific Rim to meet those needs and the availability of funds.

The specific purpose of this letter is to urge you to support the passage of House Bill 608 (copy attached). This bill would establish uniform administrative procedures for State grants or contracts with the non-profit organizations, eliminating much of the duplication and confusion within the current conflicting systems. Uniform procedures would allow the funding department within the State to concentrate on the intended program rather than establishing administrative procedures. The Non-Profit could then administer various programs within one set of financial guidelines rather than being forced to comply with many conflicting sets of rules. This situation would be enhanced if the procedures established by the Department of Administration were consistent with both the Federal Management Circular (FMC) 74-4, and Office of Management and Budget (OMB) Circular A-122, which provides the majority of the fiscal regulations within which Non-Profits currently operate Federal Grants and contracts.

903 W. Northern Lights Blvd., Suite 203 / Anchorage / Alaska 99503 / Ph. (907) 276-2121

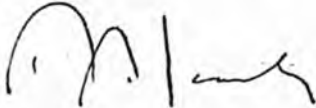
The Non-Profit Corporation Serving The People Of The Chugach Native Region



January 26, 1982
Page 2 of 2

Thank you for your time, and continued concern that State Services meet the needs of rural residents.

Sincerely,



Robert Heasley
Executive Director



Gordon Melms
Comptroller

RH GM/mkn
Enclosure



608
Back
Back

the north pacific rim

January 22, 1982

Senator Ray Metcalfe
Pouch V
Juneau, Alaska 99811

Dear Senator Metcalfe:

The North Pacific Rim, is the regional Native non-profit corporation serving the Chugach region. Our corporation has been providing health, educational and social services to the people of the Chugach Region for the past seven (7) years. Federal cutbacks have reduced our funds by approximately one-third over the past two fiscal years. We realize that the State of Alaska recognizes the hardships caused by Federal cutbacks and will take steps to minimize the negative effects of these cutbacks where necessary. With the advent of Block Grants, the responsibility of State to respond to the needs of the economically and educationally depressed peoples of rural Alaska will increase further.

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903 W. Northern Lights Blvd., Suite 203 / Anchorage / Alaska 99503 / Ph. (907) 276-2121

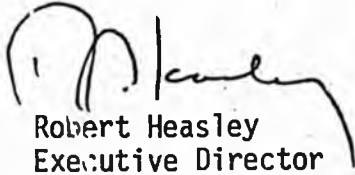
The Non-Profit Corporation Serving The People Of The Chugach Native Region

REC'D JAN 20 1982

Letter for Senator Metcalfe
January 22, 1982
Page 2 of 2

Thank you for your time, and continual concern that State Services meet the needs of rural residents.

Sincerely,



Robert Heasley
Executive Director



Gordon Melms
Comptroller

RH GM/mkr.
Enclosure



THE ALASKA NATIVE FOUNDATION

411 WEST 4th AVENUE, SUITE 314 • ANCHORAGE, ALASKA 99501 • PHONE (907) 274-2541

January 22, 1982

Representative Ray H. Metcalfe
Pouch V, Mail Stop 3100
Juneau, Alaska 99811

Dear Representative Metcalfe:

The purpose of this letter is to urge your support of HB608, a bill which would establish uniform administrative procedures for grants to, and contracts with, non-profit organizations.

As one of the non-profit organizations serving the needs and aspirations of the Alaskan Native people, we are well aware of the many problems in dealing with the various State departments. The duplication and confusion in working within the current conflicting systems can be alleviated by this proposed legislation. With the responsibility for establishing these uniform procedures resting with the Department of Administration, each State department would be treated in an equitable fashion and would retain full responsibility and control over all specific programmatic functions.

The State currently provides many services to its citizens through the various non-profit organizations and, with the advent of the Block Grants, will be responsible for the administration of more funds that will ultimately be allocated to the non-profit organizations. The State needs the non-profits as they have the systems in place to provide the necessary services in a more efficient and cost effective manner than could the State. It is in the State's best interest to allow the non-profits to administer these funds in a coherent and cohesive fashion, while at the same time maintain a greater degree of fiduciary control through uniform procedures and centralized review of the non-profits' administrative and financial systems.

The passage of HB608 is extremely important, and we feel that it should be implemented before the Block Grants are administered through the State by the Federal government. This legislation is not only fiscally sound but physically possible, and we urge you to support its implementation.

Most sincerely,

Emil Notti, Chairman
Board of Directors

NC

EN:tr

REC'D JAN 25 1982

Tanana Chiefs Conference, Inc.

Doyon Building
201 First Avenue
Fairbanks, Alaska 99701
Phone (907) 452-8251

January 13, 1982

The Honorable Ray H. Metcalfe
Chairman, House State Affairs Committee
Pouch V
Juneau, AK 99811

Re: House Bill #608

Dear Representative Metcalfe:

On December 15, 1981, the Tanana Chiefs Conference, Inc. Executive Board of Directors passed a resolution endorsing House Bill #608.

We would appreciate your support in passage of this bill during the legislative session. With many Federal programs being transferred to the State for administration and the increased responsibility by the nonprofit organizations in implementing State programs, it is urgent that a Uniform Standard Administrative procedure be established. The administration and negotiation of State contracts would be made easier for the nonprofits and the State of Alaska if this bill is passed.

Again we appreciate your support in seeing this bill become law.

Sincerely,

TANANA CHIEFS CONFERENCE, INC.

William C. Williams by kh

William C. "Spud" Williams
President

WCW/kh

Enlosures

REC'D JAN 18 1982

TANANA CHIEFS CONFERENCE, INC.
ENDORSEMENT OF ALASKA HOUSE BILL 608
RESOLUTION 81-12

WHEREAS, the Tanana Chiefs Conference, Inc. is a nonprofit corporation under the laws of the State of Alaska; and

WHEREAS, the Tanana Chiefs Conference, Inc. has federally recognized negotiated indirect cost rates; and

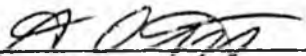
WHEREAS, the Tanana Chiefs Conference, Inc. has contracts with the State of Alaska; and

WHEREAS, the Tanana Chiefs Conference, Inc. deems that it is incumbent upon the State of Alaska that it establish uniform administrative procedures for grants to and contracts with nonprofit organizations:

NOW THEREFORE BE IT RESOLVED, that the Tanana Chiefs Conference, Inc. endorses House Bill No. 608, "An Act establishing uniform administrative procedures for grants to and contracts with nonprofit organizations", and urges the passage of the Bill by the Twelfth Legislature, Second Session.

CERTIFICATION

I hereby certify that this resolution was duly passed by the Tanana Chiefs Conference, Inc. Executive Board of Directors on December 15, 1981 at Anchorage, Alaska.



Mitch Demientieff
Corporate Secretary
Tanana Chiefs Conference, Inc.

- Cook Inlet Native 277-2681

- Fairbanks Tanana Chiefs Boy Taylor

- Bristol Bay/Dill Row Jackson

- Nome - Lee Little, Caleb Pancowicz

- Kodiak - Don Shaw

- Copper River Native Corp. Coyne Lester

- ANF - Phil Smith -

North Pacific Rim

4B1008

notify people of afternoon meeting
and find out what problems they
will have.

Perhaps speak to Mitchell on
people he wants here.

Call Perkins - a review proposed
language at least

Let them know of proposed language.

1-25

H13608 write PSA by Thursday

Carl Lake, but didn't make
it because of bad weather

1-30 contact

~~Roy Hendorff - Pres. Cook Inlet
Native Corp.~~

or Sam Kito, Jr. lobby for
Cook Inlet - 278-4641

Proposed Addition to the Alaska
Administration Code: Regarding Granting &
Contracting Procedures with Alaskan
Non-Profit Organizations

as prepared by the
Non-Profit Financial
Association
December 5, 1980

7

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PROPOSED ADDITION TO THE ALASKA ADMINISTRATION CODE:
REGARDING GRANTING & CONTRACTING PROCEDURES WITH ALASKAN
NON-PROFIT ORGANIZATIONS.

(AS PREPARED BY THE NON-PROFIT FINANCIAL ASSOCIATION ON 12/5/80)

- .010 COVERAGE. Except for those programs for which alternative procedures are set forth by regulation and/or statute, the provisions of this chapter apply to all grants and contracts issued by the appropriate departments to nonprofit corporations who operate or desire to operate health and social services, education and similar grants and contracts on behalf of the State of Alaska.
- .020 DEVIATION. A state or federal regulation or statute addressing a particular program which deviates from the provisions of this chapter shall have precedence over the provisions of this chapter.
- .030 ELIGIBLE APPLICANTS. Application may be made under this chapter by a non-profit corporation incorporated in the State of Alaska or otherwise registered to do business within Alaska, the State of Alaska or a political subdivision of the State of Alaska and its agencies, or the University of Alaska. An applicant shall show proof of non-profit status by submitting with their application their certification of status from the Department of Administration.
- .040 LETTERS OF INTENT TO APPLY AND APPLICATIONS. Letters of intent to apply and applications for grants and contracts under this chapter must be on the appropriate standard forms as provided by the Department of Administration.
- .050 APPLICATION PROCEDURE. On a yearly basis, departments will publicly announce through Alaskan news media and in letters to other appropriate agencies the availability of Letter of Intent forms and grant application forms and the beginning of the

application process for grants and contracts under this chapter. The public announcement will specify whether an applicant shall submit a one-year or a two-year plan. A prospective applicant shall submit a completed Letter of Intent form to the appropriate granting agency. The granting/contracting agency will provide application forms and instructions to each organization which, before the deadline established for receipt of Letters of Intent, submits a Letter of Intent. In order to be considered for funding, an application must contain the complete information which the department requires on the application forms and must be submitted by the deadline set forth in section .060 of this chapter.

.060 APPLICATION DEADLINES. A letter of intent must be returned to the granting agency bearing a postmark or an airline receipt stamp of no later than the January 4 immediately preceding the period for which application for funds is made. An application must be returned to the granting/contracting agency bearing a postmark or an airline receipt stamp of no later than March 1 immediately preceding the period for which application for funds is made. A Letter of Intent or an application not returned to the appropriate granting agency postmarked or airline receipt stamped on or before the department's established application deadlines may be denied consideration for funding. An applicant denied funding due to late filing may appeal the decision under section .270 of this chapter.

.070 REVIEW OF LETTER OF INTENT AND OF APPLICATION.

(a) All letters of intent to apply will be forwarded by the department to the State Clearinghouse in the Office of the Governor for a State Clearinghouse Review and to the appropriate state advisory board for information purposes. The purpose of the Clearinghouse review is to enhance coordination of governmental funding and to eliminate conflict and duplication among projects at local, areawide, and state levels. The State Clearinghouse will distribute each Letter of Intent to other interested agencies and organizations, for the geographical area for which services

are proposed in the Letter of Intent. These agencies and organizations will have 24 days to comment, as allowed in a routine State Clearinghouse Review. Any comment received on a Letter of Intent by the State Clearinghouse will be forwarded to the department and to the applicant.

(b) The State Clearinghouse may, on its own behalf or on the behalf of interested agencies and organizations, request a copy of the complete application for review and comment; the request must be received by the department on or before the application submission deadline (March 1). The appropriate granting agency will submit the requested applications to the State Clearinghouse. Any comments resulting from such a review must be received by the department on or before May 10 immediately preceding the period for which the application for funds is made. For the purpose of information exchange, the appropriate granting agency will send a copy of every grant application face sheet to the State Clearinghouse regardless of whether the Clearinghouse received a complete application for review.

(c) The appropriate granting agency will conduct a review of each submitted application, based on established review criteria (see section .080 of this chapter), and will submit the application to the appropriate state advisory board for review and recommendation. The appropriate granting agency will submit to the commissioner the granting agency's recommendation and justification, the appropriate state advisory board's recommendation and justification, and any comments received from other agencies and organizations through the Clearinghouse review.

(d) The commissioner will make the final decision on award of grants no later than 15 days after the Governor signs into law the final state budget for the fiscal year for which applications have been made or upon availability of funds, whichever first occurs. In cases where the Governor has not signed into law the final state budget by July 1 of the fiscal year for which applications

have been made, provision for grant extensions of limited duration may be made at the discretion of the commissioner. The commissioner's award decisions will be based on due consideration of the recommendation of the granting agency, and all other advisory recommendations, established department review criteria, priorities in the various state plans, applicable categorical state plans, and the statutory requirements of state (and, where applicable, federal or local) law and regulations.

(e) The commissioner may, at his/her discretion, decide to award to a prospective grantee an amount which is more or less than the total funding requested. In this case the department will initiate negotiations to revise the prospective grantee's budget to reflect the proposed total award and to revise, if necessary, the program scope. These negotiations must be completed prior to the grant award. The granting agency will notify the chairperson of the appropriate state advisory board, if any, of the outcome of the negotiations.

(f) For department granting or contracting programs arising from federal funds, the appropriate state agency will review and approve or disapprove the applications of applicants competing for grants and contracts containing these federal funds, in accordance with the appropriate Public Law. The review will be conducted within the time frame established for such review in subsection (c).

(g) In the case in which the appropriate governing board disapproves an application covered under this section, if the commissioner wishes to use federal funds for a grant to the disapproved applicant, the commissioner must seek from the Governor a review of the agency decision. If the Governor conducts such a review, he/she will require the department's planning and development unit to comment on the governing board's decision. The Governor, after taking into consideration the department's planning and development units comments, if any, may,

at his/her discretion, make the federal funds of this section available for funding of the affected application, notwithstanding the disapproval of the governing board. Each such decision by the Governor to make funds available will be submitted to the appropriate governing board and the department's planning and development unit and will contain a detailed statement of the reasons for the decision. If the Governor decides to make federal funding available for grant award to the affected applicant, the commissioner will negotiate any necessary budget or program changes according to subsection (e) of this section and will notify the applicant of the grant award as specified in section .090 of this chapter.

.080 CRITERIA FOR APPLICATION REVIEW. In addition to any criteria established by statute or regulation for a particular granting agency, the following general criteria will be rated in the review of an application for funding recommendations to the commissioner.

- (1) justification of need for services, including the identification of target population and geographic area to be served;
- (2) previous experience in providing the same or similar services;
- (3) acceptance of the applicant organization by the community or communities in which it proposes to provide services;
- (4) appropriateness and measurability of program objectives;
- (5) feasibility of plan for providing services;
- (6) efforts to coordinate with other appropriate organizations;
- (7) reasonableness of budget;
- (8) compatibility of service proposal with the department's goals and objectives and planning documents;
- (9) a reasonable training plan providing adequate justification for needed training, if any;
- (10) a service evaluation strategy;

- (11) status of audits and resolution of audit exceptions, if any, for applicants which have previously been awarded grant funds by the department;
- (12) any other reasonable criteria applicable to a specific program or service.

.090 NOTIFICATION OF AWARD.

(a) When the commissioner has made the grant award decisions, each successful applicant will be sent a notice of intent to award a grant contingent upon negotiation of its budget and any concomitant program revisions, if necessary.

(b) Notification of Grant Award forms will be sent to each approved grantee after availability of funds has been determined and the grantee budget has been negotiated.

(c) The grantee must sign the Notice of Grant Award to indicate acceptance of the terms and conditions set forth in the signed application, the Grant Award form, and this chapter; this signed Notice of Grant Award will constitute a contract between the parties.

(d) The department will send a written notice to each successful and unsuccessful applicant within 15 days after the final decision has been made to approve, disapprove, defer or otherwise not to fund the application.

.100 EQUAL EMPLOYMENT OPPORTUNITY.

(a) The grantee may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, or marital status, changes in marital status, pregnancy, or parenthood when the reasonable demands of the position do not require distinction on the basis of age, physical handicap, sex, or marital status, changes in marital status, pregnancy, or parenthood. The grantee shall take affirmative action to insure

that the applicants are employed and that employees are treated during employment without regard to their race, color, religion, national origin, ancestry, age, sex, or marital status. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay, or other forms of compensation, and selection for training including apprenticeship. The grantee shall post for training including apprenticeship. The grantee shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this subsection.

(b) The grantee shall state, in all solicitations of advertisements for employees to work on State of Alaska grant jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, or marital status.

(c) The grantee shall send to each labor union or representative of workers with which the grantee has a collective bargaining agreement or other contract or understanding, a notice advising the labor union or workers' representative of the grantee's commitments to Equal Employment Opportunity and post copies of the notice in conspicuous places available to all employees and applicants for employment.

(d) The grantee shall include the provisions of this section in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any construction, maintenance, or service contract or subcontract, as required by this grant, "subgrantee" and "contractee" may be changed to reflect appropriately the name or designation of the parties of the subcontract or contract.

(e) The grantee shall cooperate fully with the Civil Rights Coordinator for the funding department, who seeks to deal with problems of unlawful discrimination and all other state efforts to guarantee fair employment practices under this grant and to comply with all requests and directions from the Office of Civil Rights, Region V and the State Commission on Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices. Full cooperation includes but is not limited to, being witnesses in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; permitting employees of the grantee to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting in inspection of the grantee's facilities; and promptly complying with all state directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and state laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.

(f) Failure to comply with Equal Employment Opportunity requirements constitutes a material breach of this grant.

.110 CIVIL RIGHTS OF CLIENTS.

(a) The grantee shall comply fully with Title VI of the Civil Rights Act of 1964 and Section 504 of the Rehabilitation Act of 1973, and the policy and procedure for implementation of Title VI and Section 504. The grantee shall make no distinction or discrimination against client, recipient, applicant, or beneficiary of the department's federally assisted programs on the basis of sex, race, color, national origin, or handicap. No client, recipient, applicant, or beneficiary of these federally assisted programs will be excluded from participation in, be denied the benefits of, or be otherwise subjected to

discrimination under any program or activity for which the department has responsibility.

(b) Distinction on the grounds of sex, race, color, national origin, or handicap includes:

(1) any type of segregation, separate or different treatment, or other discrimination on that ground;

(2) the imposition of any admission, enrollment, quota eligibility, or other requirement or condition which individuals must meet in order to be provided any service or other benefit under the program or to be afforded an opportunity to participate in the program, if the sex, race, color, national origin, or handicap of individuals is considered in determining whether they meet any such requirement or condition.

(c) The grantee shall comply with procedures furnished by the departments for processing of complaints alleging discrimination on the basis of sex, race, color, national origin, or handicap.

.120 DURATION. Grant funds will be committed for only one fiscal year. In some cases an applicant will be required to submit a two-year plan which specifies program goals and objectives, service strategies and a budget for a two-year period. The appropriate granting agency will specify in its announcement of request for grant applications whether an applicant should submit a one- or two-year plan with its application. If the applicant submitting a two-year plan is awarded a grant, the department will commit funds for the first year of the grant and will, at its discretion, approve the second year funding contingent upon legislative appropriation of funds and the grantee's satisfactory performance during the first grant year. A judgment of satisfactory performance will be based on the factors of compliance with grant terms and conditions, financial and administrative responsibility and satisfactory progress toward program goals and objectives. The department will notify the grantee of intent to continue or discontinue funding for the second grant year 90 days prior to the

beginning of that year. The official Notification of Award will be sent to the approved grantee after the availability of funds has been determined.

.130 COSTS. The categories shown in Appendix A & B are generally allowable categories of costs. Any other proposed costs must have prior approval from the department. Cost categories should follow the same guidelines as specified in the Federal Guide for Non-Profit Institutions FMC 74-4 or OMB circular A-122 (Appendix A & B).

.140 INDIRECT COSTS.

(a) The department will accept a federally negotiated indirect cost rate as an accurate reflection of the cost of the items included under such a rate.

(b) The allowable indirect cost rate must be the same as authorized in the federally approved indirect cost rate document.

(c) When a state grant would materially affect the federal indirect cost rate, the applicant shall notify the federal government at the time it makes application for the state grant and shall provide evidence to the granting agency that the federal indirect cost rate has been adjusted, if required, prior to the conclusion of the grant.

(d) For purposes of receiving grants-in-aid funds from the department, only the most current federally negotiated indirect cost rate in existence at the time the award is made will be accepted in the computation of the total grant award. That amount allocated for indirect costs in a grant award is considered part of the grant award and not an addition to it. Any increase or decrease in federally negotiated indirect cost rates made subsequent to the original award will be allowed and paid.

(e) The grant applicant desiring approval of indirect costs must have in his possession a federally approved negotiated indirect cost rate and include in his application a copy of the negotiated federal indirect cost agreement indicating the rate, period of applicability, and all pertinent backup documentation.

(f) The grant award agreement must include a provision wherein the grantee agrees to make available to the state and appropriate local government, if any, upon request, all federal audit data relative to indirect costs paid by the federal government.

(g) An applicant which does not have a federally negotiated indirect cost rate is not precluded from including allowable administrative costs in its application budget as direct costs. The applicant shall document the proposed costs in its budget justification narrative. Cost categories relating to indirect costs will meet the guidelines as defined in FMC 74-4 or OMB circular A-122. (Appendix A & B).

(h) (1) Certain Federal funds that are "passed through" the State (eg. CETA, DOE Weatherization, etc.) contain statutory limitations on the amount of indirect costs allowable under those funds. If the State deems that these services are valuable to Alaskan citizens and that the appropriate providers would be one or more of the non-profit corporations, it is in the State's interest to insure that the programs are administered in the same fashion as other programs entrusted to the non-profit; therefore, the State will provide the additional administrative funds necessary for the non-profit corporation(s) to accept the program(s).

.150 SUBCONTRACTING. The grantee may subcontract portions of the activities required by the grantee only when the following conditions are met:

(1) project funds are provided to another individual or organization to carry out the purposes for which the grant was made; and

- (2) the original grantee organization retains administrative and financial responsibility over the activity and the funds; and
- (3) prior departmental approval is obtained.

.160 PAYMENTS. Payments will be made by one of two systems, according to how the contract has been negotiated.

(1) ADVANCE PAYMENTS. Whereby a portion of the allotted funds are disbursed automatically to the grantee according to an approved schedule.

(2) LETTER OF CREDIT SYSTEM. Whereby grantee draws down a supply of monies according to agency requirements and guidelines of the State letter of credit system.

.170 REPORTING REQUIREMENTS. The grantee shall submit on specified forms, on dates established by the appropriate granting agency, reports pertaining to finance and program performance and any other reports required by the granting agency. Failure to submit reports in a timely manner may result in the withholding of payment to the grantee by the granting agency. Withholding of payment to the grantee is appealable under section .270 of this chapter. Financial reports shall be submitted on standard forms developed by the Department of Administration.

.180 GRANT-RELATED PROGRAM INCOME.

(a) Records of the receipt and disposition of grant-related income shall be maintained by the grantee in accord with section .210 of this chapter.

(b) With the exception of the grant-related income used as a permanent fund, all grant-related income generated in a given grant period must be expended within the grant period unless prior written approval is received from the granting agency. Grant-related income must not be used for costs which would be otherwise unallowable under the terms and conditions of the grant.

(c) If the terms and conditions of the grant do not specify disposition of grant-related income, the grantee shall obtain prior approval from the granting agency for the desired option.

(d) Procedures governing disposition of assets will be established by the department as set forth by section .240 of this chapter.

.190 AUDIT REQUIREMENTS.

(a) For state-initiated audits, any authorized state representative, or federal or local government representative in cases where the grant includes federal or local funds, will have access to any books, documents, papers, and records of a grantee (or subcontractor) when it is determined that access to this information is necessary for the purposes of program/fiscal audit. The State or Federal agency is required to give the grantee at least 30 days prior written notice of the scheduled audit. The state granting agency will make audit information available to the appropriate state advisory board, if any. The grantee organization shall respond to audit reports questioning allowability of costs within 90 days after receiving written notice, or such costs may be disallowed by the appropriate granting agency. The final determination must be made, in writing, within 90 days following the grantee organizations' audit response. A final decision by the granting agency to disallow grantee costs is appealable under section .270 of this chapter. Refunds to the state as a result of audit disallowances must be made in accordance with the department's fiscal procedures.

(b) An independent audit must be initiated by the grantee to ascertain effectiveness of financial management. The audit must be scheduled annually. (Costs of grantee-initiated audits are allowable as part of the approved grantee budget, as specified in section .140 and Appendix A & B of this chapter.)

(c) The grantee or any of its duly authorized representatives will have access to any books, documents, papers, and records of the subcontractor when it is determined that access to this information is necessary for purposes of fiscal audit, upon 30-day notification to grantee.

.200 MONITORING AND EVALUATION. The appropriate granting agency may, at its discretion, visit the work-site of the grantee or subcontractor to monitor and evaluate project performance and progress, upon reasonable notification to the grantee.

.210 RETENTION OF RECORDS. The grantee/subcontractor shall retain all grant/subcontract records for a period of three years with the following qualifications:

(1) Records must be retained beyond three years if an audit, has not been performed, is in progress or when audit findings, litigations or claims involving such records are pending.

(2) Records for non-expendable personal property acquired by the grantee/subcontractor must be retained for three years after the final disposition.

(3) The three year retention requirements do not apply to records transferred to or maintained by the department. The department may request transfer of grant records, at its own expense, to the custody of the department at any time during the three year retention period when it is determined that such records possess long-term retention value. The department will make arrangements with the grantee to retain records that are continually needed for joint access.

(4) The retention period for each year's records is from the date of submission of the annual or final financial status report or its equivalent.

.220 CHANGES IN APPROVED GRANTEE PROGRAM.

(a) A grantee proposing to alter the service plan of the program from the terms and conditions of the application and grant award must submit the proposed changes in writing to the appropriate

granting agency for prior approval. Within 30 days from the date of receipt of a request for approval, the granting agency will review and notify the grantee of its decision in writing.

(b) Requests for necessary changes to program beginning or completion dates shall be submitted to the appropriate granting agency in writing for approval, the granting agency will review the request and notify the grantee of its decision. Expenses incurred prior to the official beginning and/or beyond the official completion dates are not allowable unless specified in the grant award and authorized in writing by the appropriate granting agency.

(c) (1) The grantee is permitted to re-budget between budget categories within the total budget of the program to meet unanticipated expenditures necessary to the successful continuation or completion of the program, provided the purpose for such expenditures is allowable under the terms of the grant. Except as in subsection (2) below, prior approval must be obtained in writing from the appropriate granting agency on the re-budgeting of amounts which exceed 10% of each budget category. Re-budgeting between direct costs and indirect costs is allowable. When re-budgeting involves grant-related income, see section .180.

(2) In accordance with 45 CFR 74.105, any grantee awarded a department grant containing federal funds may re-budget its funds without prior approval as necessary to fulfill the purpose of the grant.

.230 ACCEPTABLE PURCHASING PRACTICES AND PROCEDURES.

(a) Each grantee must establish uniform and acceptable purchasing practices and procedures covering the procurement of goods and services. Within the purview of acceptable purchasing procedures the following conditions must apply:

(1) On all purchases of non-expendable property having an unit costs of \$500 or more, or a contract in like amount, three

competitive price quotations from potential suppliers are required. If competitive quotes are not obtainable, a sole source agreement must be approved by the granting agency within 15 days.

(2) Written records of price quotations shall be retained for three years under section .210 of this chapter and shall include:

- (A) specifications,
- (B) suppliers' names and addresses, and
- (C) the price(s) quoted.

(b) Grantees are authorized and encourage to purchase non-expendable office furniture, office supplies and other expendable commodities from State of Alaska Contract Award Vendors. Upon request, the department Supply Officer will furnish grantees with the names and addresses of approved Contract Award Vendors.

.240 PROPERTY MANAGEMENT.

(a) If the grantee is allowed to acquire an interest in real property with the grant funds, the grantee must negotiate property management terms with the appropriate granting agency. If the grantee organization wishes to purchase non-expendable personal property to facilitate the successful completion of the grant program, the cost of such property must be included in the total approved grantee budget or approved amendments thereto.

(b) Acquisition cost must include the cost of the unit of non-expendable personal property plus the cost of any necessary accessories. Ancillary charges such as duty, taxes, transportation, protective in-transit insurance, and installation fees shall be included in or excluded from such cost in accordance with the grantee's regular accounting practices.

(c) Title to non-expendable personal property shall vest in the grantee organization upon acquisition, subject to the condition that the appropriate granting agency shall have the right to

transfer title to such property to the state or to a designated third party so long as all of the following requirements are met:

(1) The property had a unit acquisition cost of \$500 or more.

(2) The granting agency right to transfer title to property acquired by the grantee was not waived at the time of award under the terms and conditions of the grant.

(3) Either the grantee no longer has need for the property in the program for which it was acquired, or the grant-supported program is being transferred to another grantee organization.

(4) The action to exercise this right may be taken at any time, but no later than 120 days following the completion or termination of the grant or the date of an appeal decision, if applicable, whichever is later. Action to exercise this right includes notification to the grantee of the intent to transfer, although the actual transfer of property need not necessarily be completed before the close of the above-specified 120-day period.

(d) Except when the appropriate granting agency has exercised the right to transfer title as provided in subsection (c) above, non-expendable personal property acquired under a grant must be treated as follows:

(1) The grantee shall retain such property in the grant program so long as property is needed to aid in the successful accomplishment of the grant program purpose(s). During the time that such property is held for use under the grant program for which it was acquired, the grantee shall make the property available for use on other state-sponsored activities so long as the grantee determines that this outside use does not interfere with the grant program. The grantee shall use the property in connection with other state-sponsored activities in the following order of priority:

(A) other department activities;

(B) other state agencies' activities.

(2) When the grantee no longer has need for such property in any of its state-assisted activities, the property may be used for

the grantee's own official activities with written approval by the grantor.

(3) If the grantee has no further need for non-expendable personal property purchased under the grant, disposition of such property shall be made as follows:

(A) If the property had an acquisition cost of \$500 or more per unit, the grantee shall request disposition instructions from the department through the appropriate granting agency.

(B) If the grantee is instructed to ship the property elsewhere, the grantee will be reimbursed by the state for any shipping costs incurred.

(e) The grantee shall maintain accurate property records as well as effective inventory, control, and maintenance procedures for non-expendable personal property:

(1) Property records for non-expendable personal property acquired under the grant must be retained for three years after the final disposition of the property or appropriate reimbursement of the state, under section .210 of this chapter. These records shall include, at least, the following information:

(A) a description of the property.

(B) the manufacturer's serial number or other identification number;

(C) the grant program under which the property was acquired;

(D) the acquisition date and cost of the property;

(E) the location, use and condition of the property, and the date such information was recorded; and

(2) A control system must be in effect to insure adequate safeguards to prevent loss, damage or theft of non-expendable personal property. Any loss, damage or theft must be investigated and fully documented.

.250 SUSPENSION AND TERMINATION.

(a) When a grantee has failed to comply with the terms and conditions of a grant, the department may, after 30 days written notice, suspend the grant. The department shall allow the payment of previously obligated necessary costs during the period of suspension, provided these costs are otherwise allowable. Suspension will remain in effect until the grantee has taken corrective action or give assurance of corrective action satisfactory to the department or until the department terminates the grant. Suspension is appealable to the department under section .270 of this chapter.

A grant may be terminated, in whole or in part, prior to the completion date by the department for the failure of the grantee to comply with the terms and conditions of the grant. The department will promptly notify the grantee in writing, stating the reasons for termination, the effective date (after 30 days from receipt of notice) and the portion to be terminated in the case of partial termination. Termination for cause is appealable under section .270 of this chapter.

(2) A grant may be terminated, in whole or in part, prior to the completion date by the department with the consent of the grantee, in which case both parties will agree upon termination conditions, including effective date and the portion to be terminated in the case of partial termination.

(3) A grant may be terminated, in whole or in part, prior to the completion date by the grantee, upon 30 day written notification to the department setting forth the reasons for termination, the effective date, and the portion to be terminated in the case of partial termination.

(c) In all cases of grant termination, payments to the grantee or recovery of state funds to the department shall be made in accordance with the legal rights and liabilities of both the grantee and the department. The grantee shall not incur new

obligations against a terminated grant or the terminated portion of a grant after the effective date of termination of the grant. The department shall allow full credit to the grantee for the state share of obligations properly incurred prior to termination.

.260 STATE SAVED HARMLESS. The grantee shall hold and save the state, its officers, agents, and employees, harmless from liability of any nature or kind, including costs and expenses, for or on account of any or all suits or damages of any character whatever resulting from injuries or damage sustained by a person or persons working under the grant or subcontract or receiving services under the grant or subcontract or damages sustained by property by virtue of any act or omission of the grantee not specifically directed by the state or its duly authorized agents.

.270 APPEALS PROCEDURES.

(a) An applicant or grantee dissatisfied with an adverse administrative action or decision involving deadlines for Letter of Intent or grant application, grant award, payment procedures, and/or grant suspension or termination may appeal that action or decision.

(b) The appellant shall submit, within 15 days of receipt of notification of department action, a written request to the commissioner for hearing.

(c) The appeal for hearing will be reviewed by the commissioner, and the aggrieved applicant or grantee will be advised within 15 days whether the appeal has been accepted or rejected and, if rejected, the reason(s) for that action.

(d) If the appeal for hearing is accepted, the commissioner will appoint a hearing officer, and a hearing will be scheduled as soon as practicable, but not later than 20 days after acceptance.

(e) All interested parties wishing to be heard at that hearing should submit a written brief of their statement to the hearing officer not later than 24 hours prior to the hour of the hearing.

(f) The hearing officer will submit a transcript of the hearing, all written testimony, and his/her written recommendation to the commissioner, who will render the final decision on the appeal.

.280 DEFINITIONS. Unless the context indicates otherwise, in this chapter:

(1) "department" means the state department administering the state or federal funds;

(2) "commissioner" means the commissioner of the department administering the state or federal funds;

(3) "non-profit corporation" means a corporation no part of the income or profit of which is distributable to its members, directors or officers;

(4) "appropriate granting program" or "granting program" means a program within the department for administration of funds for the type of services the applicant or grantee proposes to provide;

(5) "appropriate granting agency" or "granting agency" means the agency within the department which administers the appropriate granting program;

(6) "grant" means an award of financial or direct assistance to an eligible recipient under a program that provides for such assistance based on review and approval of an application, plan or other document(s) setting forth a proposed activity or program;

(7) "grantee" or "grantee organization" means the organization, agency or other legally accountable entity that receives a grant;

(8) "program period" or "grant period" means the time period of which the grantee has been awarded funds;

(9) "State Clearinghouse" means the office located in the Office of the Governor which oversees a process through which state agencies, local governments, areawide planning agencies, and

other interested reviewers make comment on projects that impact their area of expertise and jurisdiction;

(10) "final state budget" means the total budget for the government of the State of Alaska for a given fiscal year which has been approved by the state legislature and signed into law by the governor;

(11) "real property" means land, land improvements, structures and appurtenances thereto, excluding moveable machinery and equipment;

(12) "personal property" means property of any kind except real property;

(13) "non-expendable personal property" means an article of tangible personal property (generally equipment) that is complete in itself, is of a durable nature, and has an expected useful life of more than one year, and has a unit acquisition cost of \$500 or more; or intangible personal property such as patents, inventions and copyrights.

(14) "grant-related program income" means any income generated by grant-supported activities; such income includes but is not limited to proceeds from the sale of products or services such as laboratory tests or computer time, payments received from patients or third parties for services provided under a project, fees received for personal services performed in connection with and during the period of the grant-supported activity, proceeds from the sale of assets purchased with project funds, and royalties from copyrights or publications developed under a grant-supported project.

(15) "state advisory board or council" means an advisory board of persons appointed by the governor or commissioner to serve in an advisory capacity for a certain granting program.

(16) "true lease" means a lease which does not meet any one of the following four criteria:

(A) ownership is transferred to the lessee (in the lease) by the end of the lease term;

(B) a bargain price option to buy the property is in the lease;

(C) the lease term is 75 percent or more of the estimated economic life of the property; and

(D) the present value of the rentals is 90 percent or more of the fair market value of the leased property (minus investment tax credit if retained by the lessor); the valuation date for this purpose is the date of the lease agreement or commitment, if earlier.

(17) "approval" means written agreement or permission to proceed, signed by an authorized official of the granting agency, in response to a written request from the grantee or applicant for approval of a proposed grantee or applicant action.

(18) "General Government contract" means the employment contract negotiated by the State of Alaska with its employees in the General Government Unit represented by the Alaska Public Employees Association.

PART 255—COST PRINCIPLES APPLICABLE TO GRANTS AND CONTRACTS WITH STATE AND LOCAL GOVERNMENTS

- Sec.
- 255.1 Purpose.
- 255.2 Supersession.
- 255.3 Policy intent.
- 255.4 Applicability and scope.
- 255.5 Appendixes.
- 255.6 Inquiries.

Appendix A—Principles for determining costs applicable to grants and contracts with state and local governments.

Appendix B—Standards for selected items of cost.

AUTHORITY: Executive Order 11717 (78 FR 12315, May 11, 1973).

SOURCE: 39 FR 27133, July 25, 1974, unless otherwise noted.

§ 255.1 Purpose.

This part establishes principles and standards for determining costs applicable to grants and contracts with State and local governments.

§ 255.2 Supersession.

The President by Executive Order 11717 transferred the functions covered by this part from the Office of Management and Budget to the General Services Administration. This part is therefore issued as a replacement for previous Office of Management and Budget Circular No. A-87. No substantive changes have been made.

§ 255.3 Policy intent.

This part provides principles for determining the allowable costs of programs administered by State and local governments under grants from and contracts with the Federal Government. They are designed to provide the basis for a uniform approach to the problem of determining costs and to promote efficiency and better relationships between grantees and the Federal Government. The principles are for determining costs only and are not intended to identify the circumstances nor to dictate the extent of Federal and State or local participation in the financing of a particular project. They are designed to provide that federally assisted programs bear their fair share of costs recognized under these principles except where restricted or prohibited by law. No provision for profit or other increment above cost is intended.

§ 255.4 Applicability and scope.

(a) The provisions of this part apply to all Federal agencies responsible for administering programs that involve grants and contracts with State and local governments.

(b) Its provisions do not apply to grants and contracts with:

- (1) Publicly financed educational institutions subject to the provisions of Part 254; and
- (2) Publicly owned hospitals and other providers of medical care subject to re-

quirements promulgated by the sponsoring Federal agencies.

Any other exceptions will be approved by the General Services Administration in particular cases where adequate justification is presented.

§ 255.5 Appendixes.

The principles and related policy guides are set forth in the appendixes, which are:

Appendix A—Principles for determining costs applicable to grants and contracts with State and local governments.

Appendix B—Standards for selected items of cost.

§ 255.6 Inquiries.

Further information concerning this part may be obtained by contacting:

General Services Administration (AMF)
Washington, DC 20405
Telephone: IDS 183-7747, FTS 202-343-7747

APPENDIX A

PRINCIPLES FOR DETERMINING COSTS APPLICABLE TO GRANTS AND CONTRACTS WITH STATE AND LOCAL GOVERNMENTS

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A. Purpose and scope. 1. *Objectives.* This appendix sets forth principles for determining the allowable costs of programs administered by State and local governments under grants from and contracts with the Federal Government. The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of Federal and State or local participation in the financing of a particular grant. They are designed to provide that federally assisted programs bear their fair share of costs recognized under these principles, except where restricted or prohibited by law. No provision for profit or other increment above cost is intended.

2. *Policy guides.* The application of these principles is based on the fundamental premises that: a. State and local governments are responsible for the efficient and effective administration of grant and contract programs through the application of sound management practices.

b. The grantee or contractor assumes the responsibility for seeing that federally assisted program funds have been expended and accounted for consistent with underlying agreements and program objectives.

c. Each grantee or contractor organization, 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.

3. *Application.* These principles will be applied by all Federal agencies in determining costs incurred by State and local governments under Federal grants and cost reimbursement type contracts (including subgrants and subcontracts) except those with (a) publicly financed educational institutions subject to the provisions of Part 254, and (b) publicly owned hospitals and other providers of medical care subject to requirements promulgated by the sponsoring Federal agencies.

B. Definitions. 1. *Approval or authorization of the grantor Federal agency* means documentation evidencing consent prior to incurring specific cost.

2. *Cost allocation plan* means the documentation identifying, accumulating, and distributing allowable costs under grants and contracts together with the allocation methods used.

3. *Cost*, as used herein, means cost as determined on a cash, accrual, or other basis acceptable to the Federal grantor agency as a discharge of the grantee's accountability for Federal funds.

4. *Cost objective* means a pool, center, or area established for the accumulation of cost. Such areas include organizational units, functions, objects or items of expense, as well as ultimate cost objectives including specific grants, projects, contracts, and other activities.

5. *Federal agency* means any department, agency, commission, or instrumentality in the executive branch of the Federal Government which makes grants to or contracts with State or local governments.

6. *Grant* means an agreement between the Federal Government and a State or local government whereby the Federal Government provides funds or aid to kind to carry out specified programs, services, or activities. The principles and policies stated in this part are applicable to grants in general also apply to any federally sponsored cost reimbursement type of agreement performed by a State or local government, including contracts, subcontracts and subgrants.

7. *Grant program* means those activities and operations of the grantee which are necessary to carry out the purposes of the grant, including any portion of the program financed by the grantee.

8. *Grantee* means the department or agency of State or local government which is responsible for administration of the grant.

9. *Local unit* means any political subdivision of government below the State level.

10. *Other State or local agencies* means departments or agencies of the State or local unit which provide goods, facilities, and services to a grantee.

11. *Services*, as used herein, means goods and facilities, as well as services.

12. *Supporting services* means auxiliary functions necessary to sustain the direct effort involved in administering a grant program or an activity providing services to the grant program. These services may be centralized in the grantee department, or in some other agency, and include procurement, payroll, personnel functions, maintenance and operation of space, data processing, accounting, budgeting, auditing, mail and messenger services and the like.

C. *Basic guidelines. 1. Factors affecting allowability of costs.* To be allowable under a grant program, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient administration of the grant program, be allocable thereto under these principles, and, except as specifically provided herein, not be a general expense required to carry out the overall responsibilities of State or local governments.

b. Be authorized or not prohibited under State or local laws or regulations.

c. Conform to any limitations or exclusions set forth in these principles, Federal laws, or other governing regulations as to types or amounts of cost items.

d. Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other activities of the unit of government of which the grantee is a part.

e. Be accorded consistent treatment through application of generally accepted accounting principles appropriate to the circumstances.

f. Not be allocable to or included as a cost of any other federally financed program in either the current or a prior period.

g. Be net of all applicable credits.

2. *Allocable costs.* a. A cost is allocable to a particular cost objective to the extent of benefits received by such objective.

b. Any cost allocable to a particular grant or cost objective under the principles provided for in this part may not be shifted to other Federal grant programs to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons.

c. Where an allocation of joint cost will ultimately result in charges to a grant program, an allocation plan will be required as prescribed in section J.

3. *Applicable credits.* a. Applicable credits refer to those receipts or reduction of expenditure-type transactions which offset or reduce expense items allocable to grants as direct or indirect costs. Examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; sale of publications, equipment, and scrap; income from personal or incidental services; and adjustments of overpayments or erroneous charges.

b. Applicable credits may also arise when Federal funds are received or are available from sources other than the grant program involved to finance operations or capital

items of the grantee. This includes costs arising from the use or depreciation of items donated or financed by the Federal Government to fulfill matching requirements under another grant program. These types of credits should likewise be used to reduce related expenditures in determining the rates or amounts applicable to a given grant.

D. *Composition of cost.* 1. *Total cost.* The total cost of a grant program is comprised of the allowable direct cost incident to its performance, plus its allocable portion of allowable indirect costs, less applicable credits.

2. *Classification of costs.* There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the grant or other ultimate cost objective. It is essential therefore that each item of cost be treated consistently either as a direct or an indirect cost. Specific guides for determining direct and indirect costs allocable under grant programs are provided in the sections which follow.

E. *Direct costs.* 1. *General.* Direct costs are those that can be identified specifically with a particular cost objective. These costs may be charged directly to grants, contracts, or to other programs against which costs are finally lodged. Direct costs may also be charged to cost objectives used for the accumulation of costs pending distribution in due course to grants and other ultimate cost objectives.

2. *Application.* Typical direct costs chargeable to grant programs are: a. Compensation of employees for the time and effort devoted specifically to the execution of grant programs.

b. Cost of materials required, consumed, or expended specifically for the purpose of the grant.

c. Equipment and other approved capital expenditures.

d. Other items of expense incurred specifically to carry out the grant agreement.

e. Services furnished specifically for the grant program by other agencies, provided such charges are consistent with criteria outlined in Section G of these principles.

F. *Indirect costs.* 1. *General.* Indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities to the grantee department. To facilitate equitable distribution of indirect expenses to the cost objectives, it may be necessary to establish a number of pools of indirect cost within a grantee department or in other agencies providing services to a grantee department. Indirect cost pools should be distributed to benefiting cost objectives on bases which will produce an equitable result in consideration of relative benefits derived.

2. *Grantee departmental indirect costs.* All grantee departmental indirect costs, including the various levels of supervision, are eligible for allocation to grant programs provided they meet the conditions set forth in this part. In lieu of determining the actual amount of grantee departmental indirect cost allocable to a grant program, the following methods may be used:

a. *Pre-determined fixed rates for indirect costs.* A pre-determined fixed rate for computing indirect costs applicable to a grant

may be negotiated annually in situations where the cost experience and other pertinent facts available are deemed sufficient to enable the contracting parties to reach an informed judgment (1) as to the probable level of indirect costs in the grantee department during the period to be covered by the negotiated rate, and (2) that the amount allowable under the pre-determined rate would not exceed actual indirect cost.

b. *Negotiated lump sum for overhead.* A negotiated fixed amount in lieu of indirect costs may be appropriate under circumstances where the benefits derived from a grantee department's indirect services cannot be readily determined as in the case of small, self-contained or isolated activity. When this method is used, a determination should be made that the amount negotiated will be approximately the same as the actual indirect cost that may be incurred. Such amounts negotiated in lieu of indirect costs will be treated as an offset to total indirect expenses of the grantee department before allocation to remaining activities. The base on which such remaining expenses are allocated should be appropriately adjusted.

3. *Limitation on indirect costs.* a. Federal grants may be subject to laws that limit the amount of indirect cost that may be allowed. Agencies that sponsor grants of this type will establish procedures which will assure that the amount actually allowed for indirect costs under each such grant does not exceed the maximum allowable under the statutory limitation or the amount otherwise allowable under this part, whichever is the smaller.

b. When the amount allowable under a statutory limitation is less than the amount otherwise allocable as indirect costs under this part, the amount not recoverable as indirect costs under a grant may not be shifted to another federally sponsored grant program or contract.

G. *Cost incurred by agencies other than the grantee.* 1. *General.* The cost of service provided by other agencies may only include allowable direct costs of the service plus a prorata share of allowable supporting costs (section B 12) and supervision directly required in performing the service, but not supervision of a general nature such as that provided by the head of a department and his staff assistants not directly involved in operations. However, supervision by the head of a department or agency whose sole function is providing the service furnished would be an eligible cost. Supporting costs include those furnished by other units of the supplying department or by other agencies.

2. *Alternative methods of determining indirect cost.* In lieu of determining actual indirect cost related to a particular service furnished by another agency, either of the following alternative methods may be used provided only one method is used for a specific service during the fiscal year involved:

a. *Standard indirect rate.* An amount equal to ten percent of direct labor cost in providing the service performed by another State agency (excluding overtime, shift, or holiday premiums and fringe benefits) may be allowed in lieu of actual allowable indirect cost for that service.

b. *Pre-determined fixed rate.* A pre-determined fixed rate for indirect cost of the unit or activity providing service may be negotiated as set forth in section E 1a.

H. *Cost incurred by one department for others.* 1. *General.* The principles provided in section G will also be used in determining the cost of services provided by the grantee department to another agency.

2. *Cost allocation plan.* 1. *General.* A plan for allocation of costs will be required to support the distribution of any joint costs re-

lated to the grant program. All costs included in the plan will be supported by formal accounting records which will substantiate the propriety of eventual charges.

2. **Requirements.** The allocation plan of the grantee department should cover all joint costs of the department as well as costs to be allocated under plans of other agencies or organizational units which are to be included in the costs of federally sponsored programs. The cost allocation plans of all the agencies rendering services to the grantee department, to the extent feasible, should be presented in a single document. The allocation plan should contain, but not necessarily be limited to, the following:

a. The nature and extent of services provided and their relevance to the federally sponsored programs.

b. The items of expense to be included.

c. The methods to be used in distributing cost.

3. **Instructions for preparation of cost allocation plans.** The Department of Health, Education and Welfare, in consultation with the other Federal agencies concerned, will be responsible for developing and issuing the instructions for use by State and local government grantees in preparation of cost allocation plans. This responsibility applies to both central support services at the State and local government level and indirect cost proposals of individual grantee departments.

4. **Negotiation and approval of indirect cost proposals for States.** a. The Department of Health, Education, and Welfare, in collaboration with the other Federal agencies concerned, will be responsible for negotiation, approval, and audit of cost allocation plans, which will be submitted to it by the States. These plans will cover central support service costs of the State.

b. At the grantee department level in a State, a single Federal agency will have responsibility similar to that set forth in a., above, for the negotiation, approval, and audit of the indirect cost proposal. Cognizant Federal agencies have been designated for this purpose. Changes which may be required from time to time in agency assignments will be arranged by the Department of Health, Education, and Welfare in collaboration with the other interested agencies, and submitted to the General Services Administration for final approval. A current list of agency assignments will be maintained by the Department of Health, Education, and Welfare.

c. Questions concerning the cost allocation plans approved under a. and b., above, should be directed to the agency responsible for such approvals.

5. **Negotiation and approval of indirect cost proposals for local governments.** a. Cost allocation plans will be retained at the local government level for audit by a designated Federal agency except in those cases where that agency requests that cost allocation plans be submitted to it for negotiation and approval.

b. A list of cognizant Federal agencies assigned responsibility for negotiation, approval and audit of central support service cost allocation plans at the local government level is being developed. Changes which may be required from time to time in agency assignments will be arranged by the Department of Health, Education, and Welfare in collaboration with the other interested agencies, and submitted to the General Services Administration for final approval. A current list of agency assignments will be maintained by the Department of Health, Education, and Welfare.

c. At the grantee department level of local governments, the Federal agency with the predominant interest in the work of the grantee department will be responsible for necessary negotiation, approval and audit of the indirect cost proposal.

6. **Resolution of problems.** To the extent that problems are encountered among the Federal agencies in connection with 4. and 5. above, the General Services Administration will lend assistance as required.

APPENDIX B

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A. **Purpose and applicability.** 1. **Objective.** This appendix provides standards for determining the allowability of selected items of cost.

2. **Application.** These standards will apply irrespective of whether a particular item of cost is treated as direct or indirect cost. Failure to mention a particular item of cost in the standards is not intended to imply that it is either allowable or unallowable, rather determination of allowability in each case should be based on the treatment of

standards provided for similar or related items of cost. The allowability of the selected items of cost is subject to the general policies and principles stated in appendix A of this part.

B. **Allowable costs.** 1. **Accounting.** The cost of establishing and maintaining accounting and other information systems required for the management of grant programs is allowable. This includes cost incurred by central service agencies for these purposes. The cost of maintaining central accounting records required for overall State or local government purposes, such as appropriation and fund accounts by the Treasurer, Comptroller, or similar officials, is considered to be a general expense of government and is not allowable.

2. **Advertising.** Advertising media includes newspapers, magazines, radio and television programs, direct mail, trade papers, and the like. The advertising costs allowable are those which are solely for:

a. Recruitment of personnel required for the grant program.

b. Solicitation of bids for the procurement of goods and services required.

c. Disposal of scrap or surplus materials acquired in the performance of the grant agreement.

d. Other purposes specifically provided for in the grant agreement.

3. **Advisory councils.** Costs incurred by State advisory councils or committees established pursuant to Federal requirements to carry out grant programs are allowable. The cost of like organizations is allowable when provided for in the grant agreement.

4. **Audit service.** The cost of audits necessary for the administration and management of functions related to grant programs is allowable.

5. **Bonding.** Costs of premiums on bonds covering employees who handle grantee agency funds are allowable.

6. **Budgeting.** Costs incurred for the development, preparation, presentation, and execution of budgets are allowable. Costs for services of a central budget office are generally not allowable since these are costs of general government. However, where employees of the central budget office actively participate in the grantee agency's budget process, the cost of identifiable services is allowable.

7. **Building lease management.** The administrative cost for lease management which includes review of lease proposals, maintenance of a list of available property for lease, and related activities is allowable.

8. **Central stores.** The cost of maintaining and operating a central stores organization for supplies, equipment, and materials used either directly or indirectly for grant programs is allowable.

9. **Communications.** Communication costs incurred for telephone calls or service, telegraph, teletype service, wide area telephone service (WATS), centrex, telpak (46 lines), postage, messenger service and similar expenses are allowable.

10. **Compensation for personal services.**

a. **General.** Compensation for personal services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under the grant agreement, including but not necessarily limited to wages, salaries and supplementary compensation and benefits (section B.13.). The costs of such compensation are allowable to the extent that total compensation for individual employees: (1) is reasonable for the services rendered, (2) follows an appointment made in accordance with State or local government laws and rules, and which meets Federal merit system or other requirements, where applicable; and (3) is determined

and supported as provided in b. below. Compensation for employees engaged in federally assisted activities will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the State or local government. In cases where the kinds of employees required for the federally assisted activities are not found in the other activities of the State or local government, 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 employing government 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.

b. *Payroll and distribution of time.* Amounts charged to grant programs for personal services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and approved in accordance with generally accepted practice of the State or local agency. Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

11. *Depreciation and use allowances*
a. Grantees may be compensated for the use of buildings, capital improvements, and equipment through use allowances or depreciation. Use allowances are the means of providing compensation in lieu of depreciation or other equivalent costs. However, a combination of the two methods may not be used in connection with a single class of fixed assets.

b. The computation of depreciation or use allowance will be based on acquisition cost. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used in the computation. The computation will exclude the cost or any portion of the cost of buildings and equipment donated or borne directly or indirectly by the Federal Government through charges to Federal grant programs or otherwise, irrespective of where title was originally vested or where it presently resides. In addition, the computation will also exclude the cost of land. Depreciation or a use allowance on idle or excess facilities is not allowable, except when specifically authorized by the grantor Federal agency.

c. Where the depreciation method is followed, adequate property records must be maintained, and any generally accepted method of computing depreciation may be used. However, the method of computing depreciation must be consistently applied for any specific asset or class of assets for all affected federally sponsored programs and must result in equitable charges considering the extent of the use of the assets for the benefit of such programs.

d. In lieu of depreciation, a use allowance for buildings and improvements may be computed at an annual rate not exceeding two percent of acquisition cost. The use allowance for equipment (excluding items properly capitalized as building cost) will be computed at an annual rate not exceeding six and two-thirds percent of acquisition cost of valuable equipment.

e. No depreciation or use charge may be allowed on any assets that would be considered as fully depreciated, provided, however, that reasonable use charges may be negotiated for any such assets if warranted after taking into consideration the cost of

the facility or item involved, the estimated useful life remaining at time of negotiation, the effect of any increased maintenance charges or decreased efficiency due to age, and any other factors pertinent to the utilization of the facility or item for the purpose contemplated.

12. *Disbursing service.* The cost of disbursing grant program funds by the Treasurer or other designated officer is allowable. Disbursing services cover the processing of checks or warrants, from preparation to redemption, including the necessary records of accountability and reconciliation of such records with related cash accounts.

13. *Employee fringe benefits.* Costs identified under a. and b. below are allowable to the extent that total compensation for employees is reasonable as defined in Section B.10.

a. Employee 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, court leave, military leave, and the like, if they are: (1) Provided pursuant to an approved leave system, and (2) the cost thereof is equitably allocated to all related activities, including grant programs.

b. Employee benefits in the form of employees' contribution or expenses for social security, employees' life and health insurance plans, unemployment insurance coverage, workmen's compensation insurance, pension plans, severance pay, and the like, provided such benefits are granted under approved plans and are distributed equitably to grant programs and to other activities.

14. *Employee morale, health and welfare costs.* The costs of health or first-aid clinics and/or infirmaries, recreational facilities employees' counseling services, employee information publications, and any related expenses incurred in accordance with general State or local policy, are allowable. Income generated from any of these activities will be offset against expenses.

15. *Exhibits.* Costs of exhibits relating specifically to the grant programs are allowable.

16. *Legal expenses.* The cost of legal expenses required in the administration of grant programs is allowable. Legal services furnished by the chief legal officer of a State or local government or his staff solely for the purpose of discharging his general responsibilities as legal officer are unallowable. Legal expenses for the prosecution of claims against the Federal Government are unallowable.

17. *Maintenance and repair.* Costs incurred for necessary maintenance, repair, or upkeep of property which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable.

18. *Materials and supplies.* The cost of materials and supplies necessary to carry out the grant programs is allowable. Purchases made specifically for the grant program should be charged thereto at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received by the grantee. Withdrawals from general stores or stockrooms should be charged at cost under any recognized method of pricing consistently applied. Incoming transportation charges are a proper part of material cost.

19. *Memberships, subscriptions and professional activities.* a. *Memberships.* The cost of membership in civic, business, technical and professional organizations is allowable provided: (1) The benefit from the membership is related to the grant program, (2) the expenditure is for agency member-

ship, (3) the cost of the membership is reasonably related to the value of the services or benefits received, and (4) the expenditure is not for membership in an organization which devotes a substantial part of its activities to influencing legislation.

b. *Reference material.* The cost of books, and subscriptions to civic, business, professional, and technical periodicals is allowable when related to the grant program.

c. *Meetings and conferences.* Costs are allowable when the primary purpose of the meeting is the dissemination of technical information relating to the grant program and they are consistent with regular practices followed for other activities of the grantee.

20. *Motor pools.* The costs of a service organization which provides automobiles to user grantee agencies at a mileage or fixed rate and/or provides vehicle maintenance, inspection and repair services are allowable.

21. *Payroll preparation.* The cost of preparing payrolls and maintaining necessary related wage records is allowable.

22. *Personnel administration.* Costs for the recruitment, examination, certification, classification, training, establishment of pay standards, and related activities for grant programs, are allowable.

23. *Printing and reproduction.* Cost for printing and reproduction services necessary for grant administration, including but not limited to forms, reports, manuals, and informational literature, are allowable. Publication costs of reports or other media relating to grant program accomplishments or results are allowable when provided for in the grant agreement.

24. *Procurement service.* The cost of procurement services, including solicitation of bids, preparation and award of contracts, and all phases of contract administration in providing goods, facilities and services for grant programs, is allowable.

25. *Taxes.* In general, taxes or payments in lieu of taxes which the grantee agency is legally required to pay are allowable.

26. *Training and education.* The cost of on-service training, customarily provided for employee development which directly or indirectly benefits grant programs is allowable. Out-of-service training involving extended periods of time is allowable only when specifically authorized by the grantor agency.

27. *Transportation.* Costs incurred for freight, cartage, express, postage and other transportation costs relating either to goods purchased, delivered, or moved from one location to another are allowable.

* 28. *Travel.* Travel costs are allowable for expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business incident to a grant program. Such costs may be charged on an actual basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip, and results in charges consistent with those normally allowed in like circumstances in nonfederally sponsored activities. The difference in cost between first-class air accommodations and less-than-first-class air accommodations is unallowable except when less-than-first-class air accommodations are not reasonably available.

C. *Costs allowable with approval of grantor agency.* 1. *Automatic data processing.* The cost of data processing services to grant programs is allowable. This cost may include rental of equipment or depreciation on grantee-owned equipment. The acquisition of equipment, whether by outright purchase, rental-purchase agreement or other method of purchase, is allowable only upon specific

prior approval of the grantor Federal agency as provided under the selected item for capital expenditures.

2. *Building space and related facilities.* The cost of space in privately or publicly owned buildings used for the benefit of the grant program is allowable subject to the conditions stated below. The total cost of space, whether in a privately or publicly owned building, may not exceed the rental cost of comparable space and facilities in a privately owned building in the same locality. The cost of space procured for grant program usage may not be charged to the program for periods of nonoccupancy, without authorization of the grantor Federal agency.

a. *Rental cost.* The rental cost of space in a privately owned building is allowable.

b. *Maintenance and operation.* The cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, normal repairs and alterations and the like, are allowable to the extent they are not otherwise included in rental or other charges for space.

c. *Rearrangements and alterations.* Cost incurred for rearrangement and alteration of facilities required specifically for the grant program or those that materially increase the value or useful life of the facilities (section C.3) are allowable when specifically approved by the grantor agency.

d. *Depreciation and use allowances on publicly owned buildings.* These costs are allowable as provided in section B.11.

e. *Occupancy of space under rent-a-purchase or a lease with option-to-purchase agreement.* The cost of space procured under such arrangements is allowable when specifically approved by the Federal grantor agency.

3. *Capital expenditures.* The cost of facilities, equipment, other capital assets, and repairs which materially increase the value or useful life of capital assets is allowable when such procurement is specifically approved by the Federal grantor agency. When assets acquired with Federal grant funds are (a) sold, (b) no longer available for use in a federally sponsored program, or (c) used for purposes not authorized by the grantor agency, the Federal grantor agency's equity in the asset will be refunded in the same proportion as Federal participation in its cost. In case any assets are traded on new items, only the net cost of the newly acquired assets is allowable.

4. *Insurance and indemnification.* a. Costs of insurance required, or approved and maintained pursuant to the grant agreement, is allowable.

b. Costs of other insurance in connection with the general conduct of activities is allowable subject to the following limitations:

(1) Types and extent and cost of coverage will be in accordance with general State or local government policy and sound business practice.

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

c. Contributions to a reserve for a self-insurance program approved by the Federal grantor agency are allowable to the extent that the type of coverage, extent of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risks.

d. Actual losses which could have been covered by permissible insurance (through an approved self-insurance program or otherwise) are unallowable unless expressly provided for in the grant agreement. However, costs incurred because of losses not covered under nominal deductible insurance cover-

age provided in keeping with sound management practice, and minor losses not covered by insurance, such as spillage, breakage and disappearance of small hand tools which occur in the ordinary course of operations, are allowable.

e. *Indemnification* includes securing the grantee against liabilities to third persons and other losses not compensated by insurance or otherwise. The Government is obligated to indemnify the grantee only to the extent expressly provided for in the grant agreement, except as provided in d. above.

5. *Management studies.* The cost of management studies to improve the effectiveness and efficiency of grant management for ongoing programs is allowable except that the cost of studies performed by agencies other than the grantee department or outside consultants is allowable only when authorized by the Federal grantor agency.

6. *Prepayment costs.* Costs incurred prior to the effective date of the grant or contract, whether or not they would have been allowable thereunder if incurred after such date, are allowable when specifically provided for in the grant agreement.

7. *Professional services.* Cost of professional services rendered by individuals or organizations not a part of the grantee department is allowable subject to such prior authorization as may be required by the Federal grantor agency.

8. *Proposal costs.* Costs of preparing proposals on potential Federal Government grant agreements are allowable when specifically provided for in the grant agreement.

D. *Unallowable costs.* 1. *Bad debts.* Any losses arising from uncollectible accounts and other claims, and related costs, are unallowable.

2. *Contingencies.* Contributions to a contingency reserve or any similar provision for unforeseen events are unallowable.

3. *Contributions and donations.* Unallowable.

4. *Entertainment.* Costs of amusements, social activities, and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation, and gratuities, are unallowable.

5. *Fines and penalties.* Costs resulting from violations of, or failure to comply with Federal, State and local laws and regulations are unallowable.

6. *Governor's expenses.* The salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision are considered a cost of general State or local government and are unallowable.

7. *Interest and other financial costs.* Interest on borrowings (however represented), bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection therewith, are unallowable except when authorized by Federal legislation.

8. *Legislative expenses.* Salaries and other expenses of the State legislature or similar local governmental bodies such as county supervisors, city councils, school boards, etc., whether incurred for purposes of legislation or executive direction, are unallowable.

9. *Underrecovery of costs under grant agreements.* Any excess of cost over the Federal contribution under one grant agreement is unallowable under other grant agreements.

Amendment to Attachment B, paragraph B.28

Travel. (Add the following sentence at the end of the paragraph.)

"Notwithstanding the provisions of Attachment B, paragraphs D.6. and 8., travel costs of officials covered by those paragraphs, when specifically related to grant programs, are allowable with the prior approval of the Federal funding agency."

Amendment to Attachment B, paragraph C.2a

"C.2.a. *Rental cost.* The rental cost of space in a privately owned building is allowable. Similar costs for publicly owned buildings newly occupied on or after October 1, 1980, are allowable where "rental rate" systems or equivalent systems that adequately reflect actual costs, are employed. Such charges must be determined on the basis of actual cost (including depreciation based on the useful life of the building, interest paid or accrued, operation and maintenance, and other allowable costs). Where these costs are included in rental charges, they may not be charged elsewhere. No costs will be included for purchases or construction that were originally financed by the Federal Government.

Amendment to Attachment B, paragraph C.D.7

"D.7. *Interest and other financial costs.* Interest on borrowings (however represented), bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection therewith, are unallowable except when authorized by Federal legislation and except as provided for in paragraph C.2.a. of this Attachment."

OFFICE OF MANAGEMENT AND BUDGET

Federal Agencies Responsible for Approval of Cost Allocation Plans and Other Cost Proposals of State and Local Governments

February 19, 1980.

SUMMARY: This notice transmits an updated list of Federal agency assignments for administering OMB Circular 74-4, "Cost Principles Applicable to Grants and Contracts With State and Local Governments."

OMB Circular 74-4 established principles and standards for determining the allowable costs of programs administered by State and local governments. The Circular also provides instructions and guidance for the negotiation, approval, and audit of cost allocation plans, and indirect cost proposals.

The following list shows the responsible Federal agency assigned to carry out these provisions of the Circular.

This list does not provide cognizant agency assignments for carrying out the provisions of Attachment P, Circular A-102, "Audit Requirements for State and Local Governments." Such a list is currently under development and will be issued in the near future.

FOR FURTHER INFORMATION CONTACT: Jack Sheehan, Financial Management Branch, Office of Management and Budget, Washington, D.C. 20503 (202) 395-3993.

John J. Lordan,
Chief, Financial Management Branch.

Federal Agencies Responsible for Audit and Approval of Cost Allocation Plans and Other Cost Proposals of State and Local Governments

A Listing by States

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Part I—General Information

OMB Circular 74-4 establishes uniform principles for determining costs of federally assisted programs carried

out by State and local governments. It provides for recognition of central service costs, identifies the major types of costs normally incurred, and classifies them as to allowability. It also provides for the development of necessary instructions related to the determination of indirect costs and makes it possible for indirect costs to be charged against a Federal program without a transfer of funds between the grantee departments involved. It requires States and localities charging indirect costs to substantiate them through the preparation of cost allocation plans.

All States, the District of Columbia, Puerto Rico, and other territories are required to submit their cost allocation plans to a designated Federal agency for prior approval. Local governments are not required to submit their cost allocation plans for approval unless asked to do so by the designated Federal agency. It is, however, the responsibility of the local government seeking reimbursement of its indirect costs to prepare and retain a plan even though not asked to submit one.

Circular 74-4 provides that a listing of Federal agencies assigned responsibility for the audit and approval of State and local cost plans be maintained by the Federal Government. Parts II, III, and IV constitute that listing. All States are included, as are all State agencies, school districts, and those special districts that are expected to have substantial dealings with the Federal government. Counties, municipalities, and townships that had populations in excess of 50,000 are also included.

Part V contains the addresses of Federal offices that should be contacted for additional information and guidance. Those State departments and local units of government not listed should contact the Federal agency providing them the most funds for information and guidance. In the determination of what Federal funds should be considered for this purpose do not include Federal funds which are not normally burdened with overhead, such as major subcontracts, funds received by a State but immediately passed through to a local government, and funds received by a local government which are immediately passed through to a subgrantee.

Part II—Federal Agencies Responsible for the Audit and Approval of Statewide Cost Allocation Plans

50 States, The District of Columbia and Puerto Rico; Department of Health, Education, & Welfare
American Samoa; Department of Interior
Guam; Department of Interior

Trust Territory of the Pacific Islands:
Department of Interior
Virgin Islands; Department of Interior

Part III—Federal Agencies Responsible for the Audit and Approval of State Agency and Local Government Cost Allocation Plans

Legend of Federal Agency Abbreviations Used in the Listings That Follow

Department of Agriculture.....	AGRI
Department of Commerce.....	COMM
Community Services Administration.....	CSA
Defense Contract Audit Agency.....	DCAA
Defense Civil Preparedness Agency.....	DCPA
Department of Energy.....	DOE
Department of Transportation.....	DOT
Equal Employment Opportunity Commission.....	EEOC
Environmental Protection Agency.....	EPA
Department of Health, Education and Welfare.....	HEW
Department of Housing and Urban Development.....	HUD
Department of Interior.....	INT
Department of Justice.....	JUST
Department of Labor.....	LABOR
Law Enforcement Assistance Agency.....	LEAA
National Foundation on the Arts and Humanities.....	NFAH
National Science Foundation.....	SF
Veterans Administration.....	VA

NOTE.—The assignments shown for HEW and DCPA will be changed in the future when their successor agencies are fully operational. Assignments shown for NFAH are reassigned to its successor agencies: National Endowment for the Arts and National Endowment for the Humanities.

Alabama

State Agency

- C. A. Advisory Committee for Economic Opportunity
- HUD Alabama Development Commission
- JUST Alabama Law Enforcement Agency
- NFAH Alabama State Council on the Arts and Humanities
- DCPA Civil Defense Department
- HEW Commission on Aging
- AGRI Dept. of Agriculture and Industries
- INT Dept. of Archives & History
- INT Dept. of Conservation and Natural Resources
- Department of Education
- HEW Department of Education
- HEW Dept. of Education-Voc. Rehab. Services
- LABOR Dept. of Industrial Relations
- LABOR Dept. of Labor
- HEW Dept. of Mental Health
- HEW Dept. of Pensions and Security
- HEW Dept. of Public Health
- HUD Office of the Governor
- AGRI State Forestry Commission
- DOT State of Alabama Highway Department
- HEW Water Improvement Commission

Counties

- HEW Calhoun
- HEW Dallas
- HEW Etowah
- HEW Houston
- EPA Jefferson
- HEW Lauderdale
- HEW Madison
- HEW Mobile
- EPA Montgomery
- HEW Morgan
- HEW Talladega
- LABOR Tuscaloosa
- HEW Walker

Municipalities

- HEW Birmingham
- HEW Gadsden

LABOR Huntsville
EPA Mobile
LABOR Montgomery
HUD Tuscaloosa

Alaska

State Agency
NFAH Alaska State Council on the Arts
DCPA Alaska Division of Emergency Services
HEW Board of Vocational Rehabilitation
DOT Dept. of Commerce
LABOR Dept. of Community & Regional Affairs
COMM Dept. of Economic Development
HEW Dept. of Education
EPA Dept. of Environmental Conservation
INT Dept. of Fish and Game
HEW Dept. of Health and Social Services
LABOR Dept. of Labor
DCAA Dept. of Military Affairs
INT Dept. of Natural Resources
DOT Dept. of Public Safety
LABOR Office of the Governor
CSA Rural Community Action Program
DOT Dept. of Transportation and Public Facilities

Counties
HEW Greater Anchorage

American Samoa

State Agency
INT All Departments

Arizona

State Agency
NFAH Arizona Commission on the Arts and Humanities
INT Arizona Game & Fish Department
HEW Dept. of Economic Security
HEW Dept. of Education
HEW Dept. of Health Services
JUST Dept. of Public Safety
DCPA Division of Emergency Services
AGRI Egg Inspection Board
LABOR Governor's Office
LABOR Industrial Commission
AGRI Livestock Sanitary Board
INT Outdoor Recreation Coord. Comm.
DOT Dept. of Transportation
HEW State Hospital Board
AGRI State Land Department
HEW State School for the Deaf and Blind
INT Arizona State Parks

Counties
HEW Cochise
LABOR Maricopa
HEW Pima
HEW Pinal

Municipalities
EPA Phoenix
EPA Tucson

Arkansas

State Agency
AGRI Dept. of Commerce
HEW Dept. of Education
LABOR Dept. of Labor
EPA Dept. of Pollution Control and Ecology
HEW Dept. of Human Services
HEW Dept. of Disability Det.
INT Game & Fish Commission

NFAH Office of Arkansas State Arts and Humanities
DCPA Office of Emergency Services
COMM Office of the Governor
HEW State Cancer Commission
DOT Arkansas State Highway and Transportation Dept.
HEW State Hospital Board
HEW Dept. of Higher Education
HEW Dept. of Health

Counties
HEW Jefferson
HEW Mississippi
HUD Pulaski
EPA Sebastian
HEW Washington

Municipalities
EPA Fort Smith
HUD Little Rock
EPA North Little Rock

California

State Agency
HEW Air Resources Board
DOT Dept. of Transportation
NFAH California Arts Commission
JUST Calif. Council on Criminal Justice
HEW Coord. Council for Higher Education
HEW Dept. of Social Services
HEW Dept. of Corrections
AGRI Dept. of Conservation
HEW Dept. of Education
LABOR Dept. of Employment Development
INT Dept. of Fish and Game
AGRI Dept. of Food and Agriculture
HEW Dept. of Health
LABOR Dept. of Human Resources
LABOR Dept. of Industrial Relations
JUST Dept. of Justice
INT Dept. of Parks & Recreation
HEW Dept. of Rehabilitation
VA Dept. of Veterans Affairs
EEOC Division of Human Rights
HEW Dept. of Mental Health
HEW Dept. of Developmental Services
HEW Dept. of Alcohol and Drug Abuse
HEW Dept. of State Wide Health Planning & Development
DCPA Office of Emergency Services
HUD Office of Planning and Research
HUD State Department of Finance
DOT State Highway Department
DCPA State National Guard
HEW State Scholarship and Loan Comm.
HEW Dept. of Youth Authority
EPA Water Resources Control Board

Counties
HEW All Counties

Municipalities
HUD Alameda
HEW Alhambra
HEW Anaheim
EPA Bakersfield
HUD Berkeley
HEW Burbank
HUD Compton
HEW Downey
HUD Fresno
HEW Fullerton
HEW Garden Grove
HEW Glendale
HEW Hayward

HEW Inglewood
HEW Lakewood
DOL Long Beach
HEW Los Angeles
HEW Norwalk
HEW Oakland
EPA Palo Alto
HEW Pasadena
HEW Pomona
LABOR Richmond
HEW Riverside
LABOR Sacramento
HUD San Bernardino
EPA San Diego
EPA San Jose
HEW San Leandro
EPA San Mateo
HEW Santa Ana
HUD Santa Barbara
HEW Santa Clara
HEW Santa Monica
HEW South Gate
LABOR Stockton
HEW Sunnyvale
HEW Torrance
HUD Vallejo
HEW West Covina

Colorado

State Agency
DCPA Adjutant General—Disaster Emergency Services
NFAH Colorado Council on the Arts and Humanities
AGRI Dept. of Agriculture
HEW Dept. of Education
INT Division of Wildlife
HEW Dept. of Higher Education
HEW Dept. of Institutions
LABOR Dept. of Labor and Employment
INT Dept. of Natural Resources
HEW Dept. of Public Health
HEW Dept. of Social Services
COMM Div. of Comm. and Development
DOE Office of the Governor
DOT State Dept. of Highways
HEW Western Inter. Comm. for High Education

Counties
HEW Adams
HEW Arapahoe
HEW Boulder
HEW El Paso
HEW Jefferson
HEW Larimer
HEW Mesa
HEW Pueblo
HEW Weld
HEW

Municipalities
EPA Colorado Springs
HEW Denver
HUD Pueblo

Connecticut

State Agency
AGRI Agriculture Expt. Station
HEW Comm. on Services for Elderly Persons
NFAH Connecticut Commission on the Arts
COMM Connecticut Development Commission
INT Connecticut Historical Comm.
HUD Dept. of Community Affairs

AGRI Dept. of Consumer Protection
 HEW Dept. of Education
 EPA Dept. of Environmental Protection
 HEW Office Policy & Management
 HEW Dept. of Health
 LABOR Dept. of Labor
 HEW Dept. of Mental Health
 HEW Dept. of Welfare
 DCAA Military Dept.
 DOT Dept. of Transportation

Municipalities

LABOR Bridgeport
 LABOR Harford
 EPA Meriden
 HEW New Britain
 LABOR New Haven
 HEW Norwalk
 EPA Stamford
 HUD Waterbury

Townships

HEW Greenwich
 HEW West Harford

Delaware**State Agency**

EPA Air and Water Resources Commission
 HEW Board of Vocational Education
 NFAH Delaware State Arts Council
 HEW Dept. of Education
 HEW Dept. of Community Affairs
 HEW Dept. of Health & Social Services
 LABOR Dept. of Labor
 EPA Dept. of Natural Resources & Environmental Control

Delaware**State Agency**

LABOR Employment Security Comm.
 CSA Office of Economic Opportunity
 AGRI State Board of Agriculture
 DOT Dept. of Transportation
 DCAA State National Guard

Counties

HEW Kent
 EPA New Castle
 EPA Sussex

Municipalities

EPA Wilmington

District of Columbia**State Agency**

HUD Asst. to the Comm. for Housing Prog.
 HEW Asst. to the Comm. for Juvenile Delinquency Prog.
 NFAH D.C. Comm. on the Arts and Humanities
 JUST Dept. of Corrects
 EPA Dept. of Environmental Services
 DOT Dept. of Transportation
 HEW Dept. of Human Resources
 LABOR Dept. of Manpower
 DOT Dept. of Motor Vehicles
 INT Dept. of Recreation
 COMM Mayor's Econ. Devel. Comm.
 JUST Metropolitan Police
 DCAA Office of Civil Defense
 HUD Office of Community Services
 JUST Office of the Directors, Public Safety
 HEW Public Library
 HEW Public Schools

Municipalities

HEW Washington, D.C.

Florida**State Agency**

HUD Dept. of Administration
 AGRI Dept. of Agriculture and Consumer Services
 LABOR Dept. of Commerce
 HEW Dept. of Education
 HEW Dept. of Health & Rehab. Services
 DCPA Dept. of Military Affairs
 INT Dept. of Natural Resources
 EPA Dept. of Pollution Control
 DOT Dept. of Transportation
 DCPA Division of Disaster Preparedness
 LABOR Employment Security Commission
 NFAH Fin Arts Council of Florida
 LABOR Dept. of Community Affairs
 INT Game & Fresh Water Fish Commission

Counties

HEW Alachua
 HEW Bay
 LABOR Brevard
 HEW Broward
 EPA Dade
 HEW Duval
 LABOR Escambia
 HEW Hillsborough
 HEW Lake
 LABOR Lee
 LABOR Leon
 LABOR Manatee
 HEW Marion
 HEW Okaloosa
 LABOR Orange
 LABOR Palm Beach
 LABOR Pasco
 HEW Pinellas
 LABOR Polk
 LABOR Sarasota
 LABOR Seminole
 LABOR Volusia

Municipalities

EPA Fort Lauderdale
 HEW Hialeah
 EPA Jacksonville
 HEW Miami
 HEW Miami Beach
 EPA Orlando
 EPA Pensacola
 LABOR St. Petersburg
 EPA Tallahassee
 HUD Tampa
 HUD West Palm Beach

Georgia**State Agency**

DCPA Adjutant General—State Civil Defense
 HEW Board of Regents
 HEW Commission on Aging
 DOT Coordinator of Highway Safety
 AGRIC Dept. of Agriculture
 HUD Dept. of Community Development
 JUST Dept. of Correction
 HEW Dept. of Education
 HEW Dept. of Family and Children Services
 HEW Dept. of Human Resources
 HUD Dept. of Industry & Trade
 LABOR Dept. of Labor
 EPA Dept. of Natural Resources
 HEW Dept. of Public Health

JUST Dept. of Public Safety
 VA Dept. of Veterans Services
 NFAH Georgia Council for the Arts
 HEW Higher Education Asst. & State School Comm.
 CSA Office of Economic Opportunity
 AGRI State Forestry Comm.
 DOT Dept. of Transportation
 HUD State Planning Bureau

Counties

HEW Bobb
 HEW Chatham
 EPA Cobb
 LABOR DeKalb
 HEW Dougherty
 LABOR Fulton
 HEW Floyd
 HEW Muscogee
 LABOR Richmond

Municipalities

HUD Albany
 HUD Atlanta
 EPA Augusta
 HEW Columbus
 LABOR Macon
 HUD Savannah

State Agency

INT All Departments

Hawaii**State Agency**

DCPA Adjutant General—Civil Defense
 AGRI Dept. of Agriculture
 HEW Dept. of Budget & Finance
 HEW Dept. of Education
 HEW Dept. of Health
 LABOR Dept. of Labor and Industrial Relations
 INT Dept. of Land & Natural Resources
 HEW Dept. of Social Services and Housing
 DOT Dept. of Transportation
 NFAH Hawaii State Foundation on Culture & the Arts
 JUST Office of the Governor

Counties

EPA Hawaii

Municipalities

LABOR Honolulu

Idaho**State Agency**

DCPA Adj. General & Bureau of Disaster Services
 HUD Association of Idaho Cities
 AGRI Dept. of Agriculture
 HEW Dept. of Education
 LABOR Dept. of Employment
 HEW Dept. of Environmental and Community Services
 INT Dept. of Fish and Game
 LABOR Dept. of Labor
 INT Dept. of Parks and Recreation
 EPA Dept. of Water Resources
 HEW Disability Determination Unit
 INT Idaho Historical Society
 NFAH Idaho State Commission on Arts and Humanities
 LABOR Industrial Commission
 CSA Office of Economic Opportunity
 HEW Office of the Governor
 HEW Office of Voc. Rehabilitation Services

AGRI State Board of Land Comm.
 DOT State of Idaho Transportation Dept.

Counties

HEW Ada
 HEW Canyon

Illinois

State Agency

EPA Air Pollution Control Board
 HEW Board of Voc. Education & Rehab.
 DCPA Civil Defense Agency
 AGRI Dept. of Agriculture
 HEW Dept. of Children & Services
 INT Dept. of Conservation
 HEW Dept. of Education
 LABOR Dept. of Labor
 HEW Dept. of Mental Health
 HEW Dept. of Public Aid
 HEW Dept. of Public Health
 DOT Dept. of Transportation
 EPA Environmental Protection Agency
 NFAH Illinois Arts Council
 LABOR Industrial Commission
 CSA Office of Economic Opportunity
 HUD State Housing Board
 EPA State Sanitary Board

Counties

HEW Adams
 HEW Champaign
 HEW Cook
 EPA DeKalb
 HEW DuPage
 HEW Kane
 HEW Kankakee
 HEW Knox
 LABOR Lake
 HEW LaSalle
 HEW Macon
 HEW Madison
 HEW McHenry
 HEW McLean
 HUD Peoria
 HEW Rock Island
 HEW Sangamon
 HEW St. Clair
 HEW Tazewell
 HEW Vermilion
 HEW Whiteside
 HEW Will
 HEW Winnebago

Municipalities

HEW Aurora
 HEW Berwyn
 HUD Chicago
 HEW Cicero
 HEW Decatur
 HUD E. St. Louis
 HEW Evanston
 EPA Joliet
 HEW Oak Park
 HEW Peoria
 HUD Rock Island
 HUD Rockford
 HEW Skokie
 EPA Springfield
 EPA Waukegan

Townships

HEW Aurora
 HEW Berwyn
 HEW Bremen
 HEW Bloom
 HEW Capital

HEW Decatur
 HEW Downers Grove
 HEW E. St. Louis
 HEW Elgin
 HEW Evanston
 HEW Joliet
 HEW Lydon
 HEW Lyons
 HEW Maine
 HEW Milton
 HEW New Trier
 HEW Niles
 HEW Oak Park
 HEW Proviso
 HEW Rockford
 HEW Thornton
 HEW Waukegan
 HEW Wheeling

Indiana

State Agency

HEW Board of Health
 HEW Board of Voc. & Tech. Education
 AGRI Dept. of Agriculture
 DCPA Dept. of Civil Defense
 HEW Dept. of Mental Health
 INT Dept. of Natural Resources
 HEW Dept. of Public Institutions
 HEW Dept. of Public Welfare
 HEW Dept. of Voc. Rehab.
 LABOR Employment Security Division
 NFAH Indiana Arts Comm.
 LABOR Labor Division
 DCAA State Adjutant General
 HUD State Dept. of Commerce
 DOT State Highway Commission
 HEW Stream Pollution Control Board

Counties

HEW Allen
 HUD Clark
 HEW Delaware
 HEW Elkhart
 HEW Floyd
 HEW Grant
 HEW Howard
 HEW Lake
 HEW La Porte
 HEW Madison
 HEW Marion
 HEW Monroe
 HEW Porter
 HUD St. Joseph
 HEW Tippecanoe
 HEW Vanderburgh
 HEW Vigo
 HEW Wayne

Municipalities

HEW E. Chicago
 HEW Evansville
 EPA Fort Wayne
 HUD Gary
 EPA Hammond
 HUD Indianapolis
 HEW Muncie
 HUD South Bend
 HUD Terre Haute

Townships

HEW Anderson
 HEW Calumet
 HEW Center-Muncie
 HEW Center-Kokomo
 HEW Gary
 HEW Harrison

HEW Knight
 HEW North-Hammond
 HEW Pigeon
 HEW Port. go
 HEW Warren
 HEW Washington
 HEW Wayne-Ft. Wayne
 HEW Wayne-Indianapolis
 HEW Wayne-Richmond

Iowa

State Agency

HEW Board of Control of State Institutions
 HEW Board of Vocational Education
 DCPA Office of Disaster Services
 HEW Commission for the Blind
 HEW Commission on Aging
 LABOR Employment Security Commission
 AGRI Dept. of Agriculture
 HEW Dept. of Education
 EPA Dept. of Environmental Quality
 HEW Dept. of Health
 HEW Dept. of Social Welfare
 DOT Dept. of Transportation
 NFAH Iowa State Arts Council
 INT Iowa State Historical Dept.
 HEW Mental Health Authority
 CSA Office of Economic Opportunity
 HEW Office of Planning & Programs
 CSA Office of the Governor
 HEW Office of Vocational Rehabilitation
 HEW State Board of Regents
 INT State Conservation Commission
 HUD State Development Commission
 DCAA State National Guard

Counties

HEW Black Hawk
 HEW Clinton
 HEW Dubuque
 HEW Johnson
 EPA Linn
 HEW Polk
 HEW Pottawattamie
 HEW Scott
 HEW Woodbury

Municipalities

EPA Cedar Rapids
 HEW Council Bluffs
 HEW Davenport
 LABOR Des Moines
 EPA Dubuque
 EPA Sioux City
 HEW Waterloo

Kansas

State Agency

HEW Dept. of Social & Rehabilitation Services
 DOT Dept. of Transportation
 HEW Board of Vocational Rehabilitation
 DCPA Division of Emergency Preparedness
 HEW Crippled Children's Commission
 HEW Dept. of Education
 HEW Dept. of Health
 AGRI Dept. of Grain and Inspection
 LABOR Employment Security Division
 INT Forestry, Fish & Game Commission
 NFAH Kansas Cultural Arts Commission
 INT Kansas State Historical Society
 HEW Legislative Council
 AGRI State Board of Agriculture
 HUD State Dept. of Economic Development
 DCAA State National Guard
 INT State Park & Research Authority

CSA State Technical Assistance Program

Counties

HEW Johnson
HEW Reno
HEW Saline
HEW Sedgwick
HEW Shawnee
HEW Wyandotte

Municipalities

EPA Kansas
HEW Topeka
HUD Wichita

Kentucky

State Agency

LABOR Dept. of Employment
AGRI Dept. of Agriculture
HUD Dept. of Commerce
HEW Dept. of Education
INT Dept. of Fish & Wildlife Resources
HEW Dept. of Human Resource
LABOR Dept. of Labor
INT Dept. of Parks
AGRI Dept. of Natural Resources & Environmental Protection
DOT Dept. of Transportation
DCPA Division of Disaster and Emergency Services
NFAH Kentucky Arts Commission
INT Kentucky Heritage Commission
CSA Office of Economic Opportunity
HUD Office of the Governor
DCAA State Adjutant General

Kentucky

Counties

HEW Boyd
HEW Campbell
HEW Christian
HEW Daviess
HEW Fayette
HEW Hardin
HEW Harlan
EPA Jefferson
HEW Kenton
HEW McCrack
HEW Pike

Municipalities

HUD Covington
EPA Lexington
EPA Louisville

Louisiana

State Agency

AGRI Dept. of Agriculture
HEW Dept. of Education
LABOR Dept. of Labor
HUD Dept. of Public Works
LABOR Division of Employment Security
AGRI Dept. of Natural Resources
HEW Dept. of Health & Human Resources
DOT Dept. of Transportation and Development
NFAH Louisiana State Arts Council
CSA Office of Economic Opportunity
DCPA Office of Emergency Preparedness
INT State Parks & Recreation Comm.
EPA Stream Control Commission
INT Wildlife & Fisheries Commission
HEW Attorney General

Counties

HEW Bossier

HEW Caddo
HEW Calcasieu
HEW Iberia
LABOR Jefferson
HEW Lafayette
HEW Lafourche
HEW Ouachita
HEW Rapides
HEW St. Landry
HEW Tagipahoa
HEW Terrebonne

Municipalities

LABOR Baton Rouge
EPA Lake Charles
EPA Monroe
LABOR New Orleans
EPA Shreveport

Maine

State Agency

DCPA Bureau of Civil Emergency Preparedness
LABOR Bureau of Labor Industry
DOT Dept. of Aeronautics
AGRI Dept. of Agriculture
AGRI Dept. of Conservation
HUD Dept. of Economic Development
HEW Dept. of Educational & Cultural Services
EPA Dept. of Environmental Protection
HEW Dept. of Health & Welfare
INT Dept. of Inland Fisheries & Wildlife
HEW Dept. of Human Services
DOT Dept. of Transportation
CSA Division of Economic Opportunity
LABOR Employment Security Commission
INT Maine Historic Preservation Commission
LABOR Manpower Affairs
HUD Office of the Governor
DOT State Highway Dept.
DCAA State National Guard

Maine

Counties

HEW Androscoggin
HEW Cumberland
HEW Kennebec
HEW Penobscot
HEW York

Municipalities

HUD Portland

Maryland

State Agency

AGRI Dept. of Agriculture
HUD Dept. of Economic & Community Development
HEW Dept. of Education
INT Dept. of Natural Resources
DCPA Dept. of Public Safety and Correctional Services
HEW Dept. of Employment & Social Services
HUD Dept. of State Planning
DOT Dept. of Transportation
LEAA Executive Dept.
DCAA Military Dept.
EPA Maryland Environmental Services

Counties

HEW Allegany
EPA Anne Arundel

EPA Baltimore County
EPA Carroll
EPA Frederick
EPA Harford
LABOR Montgomery
EPA Prince Georges
EPA Washington

Municipalities

EPA Baltimore

Massachusetts

State Agency

DCPA Civil Defense Agency and Office of Emergency Preparedness
HEW Commission for the Blind
HEW Commission on Aging
AGRI Dept. of Agriculture
COMM Dept. of Commerce & Development
HUD Dept. of Community Affairs
HEW Dept. of Education
LABOR Dept. of Labor & Industries
HEW Dept. of Mental Health
INT Dept. of Natural Resources
HEW Dept. of Public Welfare
DOT Dept. of Public Works
CSA Executive Department
HEW Executive Office of Administration and Finance
NFAH Massachusetts Council on the Arts and Humanities
INT Mass. Historical Commission
EPA N. E. Interstate Water Pollution Control Commission
LABOR Office of Manpower Affairs
HEW Rehabilitation Commission
HUD State Dept. of Commerce
DCAA State National Guard
COMM Office of State Planning

Counties

HEW Barnstable
HEW Berkshire
HEW Bristol
HEW Essex
HEW Franklin
HEW Hampden
HEW Hampshire
HEW Middlesex
HEW Norfolk
HEW Plymouth
HEW Worcester

Municipalities

HEW Boston
HEW Brockton
HUD Cambridge
EPA Chicopee
EPA Fall River
HUD Holyoke
HUD Lawrence
HUD Lawrence
HEW Lowell
HUD Lynn
HEW Malden
HEW Medford
EPA New Bedford
HEW Newton
EPA Pittsfield
HEW Quincy
HEW Springfield
LABOR Springfield
HEW Wrentham
LABOR Worcester

Townships

HEW Brookline

Michigan

State Agency

AGRI Dept. of Agriculture
 EEOC Dept. of Civil Rights
 COMM Dept. of Commerce
 HEW Dept. of Education
 LABOR Dept. of Labor
 HEW Dept. of Mental Health
 DCAA Dept. of Military Affairs
 INT Dept. of Natural Resources
 HEW Dept. of Public Health
 HEW Dept. of Social Services
 DOT Dept. of State Highways and
 Transportation
 DOT Dept. of State Police
 HEW Dept. of the Attorney General
 LABOR Employment Security
 JUST Executive Office of the Governor
 NFAH Michigan Council for the Arts
 DCPA State Civil Defense—Emergency
 Service Div.
 EPA Water Resources Commission

Counties

HEW Allegan
 HEW Bay
 EPA Berrien
 HEW Calhoun
 LABOR Genesee
 HEW Ingham
 HEW Jackson
 HEW Kalamazoo
 EPA Kent
 HEW Lenawee
 HEW Macomb
 EPA Madison
 HEW Marquette
 HEW Midland
 LABOR Monroe
 HEW Muskegon
 LABOR Oakland
 EPA Citawa
 EPA Saginaw
 EPA St. Clair
 HEW Shiawassee
 HEW Washtenaw
 HEW Wayne

Municipalities

HUD Ann Arbor
 EPA Bay City
 HEW Dearborn
 HEW Dearborn Heights
 LABOR Detroit
 HEW Flint
 EPA Grand Rapids
 HEW Jackson
 EPA Kalamazoo
 HUD Lansing
 HEW Lincoln Park
 HEW Livonia
 HUD Pontiac
 HEW Roseville
 HEW Royal Oak
 EPA Saginaw
 HEW St. Clair Shores
 HEW Warren
 HEW Westland

Townships

HEW Dearborn
 HEW Redford

Minnesota

State Agency

JUST Bureau of Criminal Apprehension

DOT Dept. of Aeronautics
 EPA Dept. of Agriculture
 COMM Dept. of Business Development
 INT Dept. of Natural Resources
 HEW Dept. of Education
 LABOR Dept. of Employment Services
 HEW Dept. of Health
 EEOC Dept. of Human Rights
 LABOR Dept. of Labor and Industry
 HEW Dept. of Public Welfare
 DOT Dept. of Transportation
 DCPA Division of Emergency Services
 HEW Governor's Citizen's Council
 CSA Office of Economic Opportunity
 EPA Pollution Control Agency
 NFAH State Arts Council
 HUD State Historical Society
 HUD State Planning Agency

Counties

HEW Anoka
 HEW Dakota
 HEW Hennepin
 HEW Olmsted
 HEW Ramsey
 HEW St. Louis
 HEW Stearns
 HEW Washington

Municipalities

HEW Bloomington
 HEW Duluth
 HUD Minneapolis
 EPA St. Paul

Mississippi

State Agency

COMM Agriculture/Industrial Board
 EPA Air and Water Pollution Comm.
 HEW Board for Vocational Education
 HEW Board of Health
 HEW Board of Trustees of Mental
 Institutions
 DCPA Civil Defense Council
 AGRI Dept. of Agriculture and Commerce
 HEW Dept. of Education
 HEW Dept. of Public Welfare
 HEW Division for the Blind
 LABOR Employment Security Commission
 INT Game & Fish Commission
 NFAH Mississippi Arts Commission
 CSA Office of Economic Opportunity
 COMM Office of the Governor
 INT Mississippi Bureau of Outdoor
 Recreation
 HEW Office of Vocational Rehabilitation
 AGRI State Forestry Commission
 DOT State Highway Dept.
 INT State Park System
 HUD State Research & Development Center

Counties

HEW Bolivar
 HEW Forrest
 HEW Harrison
 HEW Hinds
 HEW Jackson
 HEW Jones
 HEW Lauderdale
 HEW Washington

Municipalities

EPA Jackson

Missouri

State Agency

DCPA Adjutant General Disaster Planning
 & Operations Office, Civil Defense
 HEW Air Conservation Commission
 EPA Clean Water Commission
 AGRI Dept. of Agriculture
 HUD Dept. of Community Affairs
 INT Dept. of Conservation
 HEW Dept. of Education
 INT Dept. of Natural Resources
 HUD Division of Commerce & Industrial
 Development
 LABOR Division of Employment Security
 HEW Division of Health
 HEW Division of Welfare
 LABOR Division of Workmen's
 Compensation
 NFAH Missouri State Council on the Arts
 COMM Office of State and Regional
 Planning
 COMM Office of the Governor
 DOT State Highway Dept.

Counties

HEW Boone
 HEW Buchana
 HEW Clay
 HEW Greene
 HEW Jackson
 HEW Jasper
 HEW Jefferson
 HEW St. Charles
 HEW St. Louis

Municipalities

HEW Kansas City
 HEW University City
 HUD Independence
 HUD Springfield
 HUD St. Joseph
 EPA St. Louis

Montana

State Agency

DCPA Adjutant General—Division of
 Disaster and Emergency Service
 DOT Aeronautics Commission
 HEW Boulder River School and Hospital
 HEW Children's Center
 HEW Commission on Aging
 AGRI Dept. of Agriculture
 INT Dept. of Fish and Game
 HEW Dept. of Health
 DOT Dept. of Highways
 LABOR Dept. of Labor and Industry
 AGRI Dept. of Natural Resources
 HEW Dept. of Social & Rehabilitation
 Services
 LABOR Employment Security Commission
 DOT Highway Patrol
 HEW Library Commission
 NFAH Montana Arts Council
 INT Montana Historical Society
 HEW Montana State Prison
 HEW Mountain View School
 LABOR Office of the Governor
 HEW Pine Hills School
 HEW Swan River Youth Camp
 HEW Veteran's Home
 HEW Warm Springs State Hospital
 INT Water Resources Board

Counties

HEW Cascade

HEW Yellowstone

*Municipalities*HEW Billings
HEW Great Falls

Nebraska

*State Agency*DCPA Adjutant General—Civil Agency
HEW Advisory Committee on Aging
AGRI Dept. of Agriculture
HUD Dept. of Economic Development
HEW Dept. of Education
EPA Dept. of Environmental Control
HEW Dept. of Health
LABOR Dept. of Labor
HEW Dept. of Public Institutions
HEW Dept. of Public Welfare
INT Game and Parks Commission
NFAH Nebraska Arts Council
INT Nebraska State Historical Society
HEW Office of Rehabilitation Services
HUD Planning & Zoning Commission
CSA Technical Assistance Agency
DOT State Highway Dept.
DCAA State National Guard
AGRI State Railway Commission*Counties*HEW Douglas
HUD Lancaster*Municipalities*HUD Lincoln
HUD Omaha

Nevada

*State Agency*DCPA Civil Defense & Disaster Agency
AGRI Dept. of Agriculture
INT Dept. of Conservation & Natural Resources
CSA Dept. of Economic Opportunity
HEW Dept. of Education
LABOR Dept. of Employment Security
INT Dept. of Fish and Game
DOT Dept. of Highways
HEW Dept. of Human Resources
NFAH Nevada State Council on the Arts
DCAA State National Guard
HUD State Planning Board*Counties*EPA Clark
HEW Washoe*Municipalities*EPA Las Vegas
HUD Reno

New Hampshire

*State Agency*DOD Adjutant General—Civil Defense Agency
HEW Committee for the Older American's Act
AGRI Dept. of Agriculture
HEW Dept. of Education
LABOR Dept. of Employment Security
INT Dept. of Fish & Game
HEW Dept. of Health & Welfare
LABOR Dept. of Labor
DOT Dept. of Public Works and Highways
INT Dept. of Resources & Economic Development

NFAH New Hampshire Commission on the Arts

COMM New Hampshire State Technical Services

CSA Office of Economic Opportunity

HEW State Cancer Commission

DCAA State National Guard

EPA Water Supply & Pollution Control Commission

*Counties*HEW Hillsborough
HEW Merrimack
HEW Rockingham
HEW Strafford*Municipalities*

EPA Manchester

New Jersey

*State Agency*DCPA Civil Defense & Disaster Control
EPA Delaware River Basin Commission
AGRI Dept. of Agriculture
HEW Dept. of Community Affairs
HUD Dept. of Conservation and Economic Development
HEW Dept. of Education
EPA Dept. of Environmental Protection
INT Dept. of Environmental Protection, Division of Fish, Game and Shell Fisheries
HEW Dept. of Human Services
LABOR Dept. of Labor and Industry
HEW Dept. of Higher Education
DOT Dept. of Transportation
NFAH New Jersey Council on the Arts
DCAA State National Guard
HEW Dept. of Health*Counties*HEW Atlantic
EPA Bergen
HEW Burlington
HEW Camden
HEW Cumberland
HEW Essex
HEW Gloucester
HEW Hudson
HEW Hunterdon
HEW Mercer
EPA Middlesex
HEW Monmouth
HEW Morris
HEW Ocean
LABOR Passaic
HEW Salem
HEW Somerset
HEW Union
HEW Warren*Municipalities*HUD Atlantic City
HEW Bayonne
HEW Bloomfield
HEW Camden
HEW Clifton
HUD East Orange
HEW Elizabeth
HEW Irvington
HUD Jersey City
LABOR Newark
HEW Passaic
HUD Paterson
HUD Trenton
HEW Union City*Townships*HEW Hamilton
HEW Union
HEW Woodbridge

New Mexico

*State Agency*DCPA - Adjutant General—Office of Emergency Preparedness
LABOR Apprenticeship Council
AGRIC Dept. of Agriculture
HEW Dept. of Education
HEW Dept. of Finance and Administration
HEW Dept. of Health & Environment
INT Dept. of Game and Fish
HEW Dept. of Human Services
INT Dept. of Natural Resource
AGRI Dept. of State Forestry
LABOR Employment Security Commission
EPA Environment Improvement Comm.
LABOR Manpower Planning
NFAH New Mexico Arts Commission
INT New Mexico Historic Preservation Program
CSA State Division of Economic Opportunity
INT State Game Commission
DOT State Highway Dept.
AGRI State Livestock Board
INT State Planning Office*Counties*HEW Bernalillo
HEW Chaves
HEW Dona Ana
HEW Eddy
HEW San Juan*Municipalities*

EPA Albuquerque

New York

*State Agency*JUST Crime Control Council
AGRI Dept. of Agriculture & Markets
COMM Dept. of Commerce
HEW Dept. of Education
EPA Dept. of Environmental Conservation
HEW Dept. of Health
LABOR Dept. of Labor
DOT Dept. of Motor Vehicles
HEW Dept. of Social Services
DOT Dept. of Transportation
EEOC Division of Human Rights
HEW Office Alcoholism and Substance Abuse
HEW Division for Youth
HEW State Consumer Protection Board
HEW Office of Mental Retardation and Developmental Disabilities
DCAA Division of Military and Naval Affairs
JUST Division of State Police
HEW Health Planning Commission
HEW Higher Education Assistance Corporation
JUST Identification and Intelligence System
DOT Metropolitan Transportation Authority
NFAH New York State Council on the Arts
CSA Office of Economic Opportunity
HEW Office for the Aging
JUST Office of Crime Control Planning
HUD Office of Local Government
INT Office of Parks and Recreation
HUD Office of Planning Coordination

EPA Pure Waters Authority
 EPA St. Lawrence—E. Ontario Commission
 HEW Office of Mental Health

Counties

HEW Albany
 HEW Broome
 HEW Cattaraugus
 HEW Cayuga
 EPA Chenung
 HEW Clinton
 HEW Dutchess
 HEW Erie
 HEW Fulton
 HEW Genesee
 HEW Herkimer
 HEW Jefferson
 HEW Madison
 HEW Monroe
 HEW Montgomery
 HEW Nassau
 HEW Niagara
 LABOR Oneida
 HEW Onondaga
 HEW Ontario
 HEW Orange
 HEW Oswego
 HEW Otsego
 HEW Rennselaer
 HEW Rockland
 HEW Saratoga
 HEW Schenectady
 HEW Steuben
 HEW St. Lawrence
 HEW Suffolk
 HUD Tompkins
 HEW Cortland
 HEW Ulster
 HEW Wayne
 HEW Westchester

Municipalities

HEW Albany
 EPA Binghamton
 HUD Buffalo
 HUD Mount Vernon
 HEW New Rochelle
 HEW New York
 HEW Niagara Falls
 LABOR Rochester
 HEW Rome
 HEW Schenectady
 HEW Syracuse
 HEW Troy
 HEW Utica
 HUD White Plains
 HUD Yonkers

Townships

HEW Amherst
 HEW Babylon
 HEW Brookhaven
 HEW Cheektowaga
 HEW Colonie
 HEW Greenburgh
 HEW Hempstead
 HEW Huntington
 HEW Irondequoit
 HEW Islip
 HEW North Hempstead
 HEW Oyster Bay
 HEW Smithtown
 HEW Tonawanda
 HEW Union

North Carolina

State Agency

DCPA Coordinator, Division of Civil Preparedness
 HUD Dept. of Administration
 AGRI Dept. of Agriculture
 HEW Dept. of Correction
 INT Dept. of Cultural Resources, Div. of Archives and History
 HEW Dept. of Education
 HEW Dept. of Human Resources
 LABOR Dept. of Labor
 DCAA Dept. of Military & Veterans Affairs
 EPA Dept. of Natural and Community Development Resources
 DOT Dept. of Transportation
 EPA Dept. of Water and Air Resources
 LABOR Employment Security Commission
 NFAH North Carolina Arts Council
 INT Wildlife Resources Commission

Counties

HEW Alamance
 LABOR Buncombe
 HEW Burke
 HEW Cabarrus
 HEW Cataw
 HEW Cleveland
 HEW Craven
 LABOR Cumberland
 LABOR Davidson
 HEW Durham
 HEW Edgecombe
 HEW Forsyth
 LABOR Gaston
 LABOR Guilford
 HEW Halifax
 HEW Iredell
 HEW Johnston
 HEW Lenoir
 EPA Mecklenburg
 HEW Nash
 HEW New Hanover
 LABOR Onslow
 HEW Onslow
 HEW Pitt
 HEW Randolph
 HEW Robeson
 HEW Rockingham
 HEW Rowan
 LABOR Wake
 HEW Wayne
 HEW Wilson

Municipalities

HUD Asheville
 HUD Charlotte
 EPA Durham
 HEW Greensboro
 HUD High Point
 EPA Raleigh
 LABOR Winston Salem

North Dakota

State Agency

HEW Board for Vocational Education
 HUD Bureau of Government Affairs
 DCPA Disaster Emergency Services
 LABOR Employment Security Bureau
 INT Game and Fish Dept.
 NFAH North Dakota Council on the Arts and Humanities
 CSA Office of Economic Opportunity
 HEW Office Vocational Rehabilitation
 HEW Public Welfare Board

HEW State Board of Administration
 DOT State Highway Dept.
 DCAA State National Guard
 INT State Govts. and Outdoor Recreation Dept.
 HUD State Planning Agency
 AGRI State Poultry Improvement Board
 INT State Water Commission

Counties

HEW Cass
 Ohio

State Agency

DCPA Adjutant General—Disaster Services Agency
 HEW Agricultural Research and Development Center
 LABOR Bureau of Employment Services
 CSA Bureau of Urban Affairs
 HEW Bureau of Vocational Rehabilitation
 AGRI Dept. of Agriculture
 HUD Dept. of Development
 HEW Dept. of Education
 HEW Dept. of Health
 LABOR Dept. of Industrial Relations
 HEW Dept. of Mental Hygiene & Correction
 INT Dept. of Natural Resources
 HEW Dept. of Public Welfare
 DOT Dept. of Transportation
 EPAS Environmental Protection Agency
 NFAH Ohio Arts Council
 EPA Ohio River Valley Water Sanitation Commission

Counties

HEW Allen
 HEW Ashtabula
 HEW Belmont
 HEW Butler
 HEW Clark
 HEW Clermont
 HEW Columbianna
 HEW Cuyahoga
 HEW Erie
 HEW Fairfield
 HEW Franklin
 HEW Greene
 HEW Hamilton
 HEW Hancock
 EPA Jefferson
 HEW Lake
 HEW Lawrence
 HEW Licking
 EPA Lorain
 HEW Lucas
 HEW Mahoning
 HEW Marion
 EPA Medina
 HEW Miami
 EPA Montgomery
 HEW Muskingum
 EPA Portage
 HEW Richland
 HEW Ross
 HEW Sandusky
 EPA Scioto
 HEW Seneca
 HEW Stark
 EPA Summit
 LABOR Trumbull
 HEW Tuscarawas
 HEW Warren
 HEW Washington
 HEW Weyne
 HEW Wood

Municipalities

HEW Akron
 HEW Canton
 HEW Cincinnati
 HEW Cleveland
 HEW Cleveland Heights
 HUD Columbus
 EPA Dayton
 HEW Euclid
 HEW Hamilton
 HEW Kettering
 HEW Lakewood
 HEW Lima
 EPA Lorain
 HEW Parma
 HEW Springfield
 HEW Toledo
 HUD Warren
 LABOR Youngstown

Townships

HEW Canton
 HEW Madison
 HEW Perry
 HEW Plain
 HEW Springfield
 HEW Sycamore

Oklahoma

State Agency

AGRI Dept. of Agriculture
 HEW Dept. of Education
 EPA Dept. of Environmental Control
 HEW Dept. of Health
 LABOR Dept. of Human Resources
 HEW Dept. of Institutions, Social and
 Rehabilitative Services
 HEW Dept. of Mental Health
 DOT Dept. of Transportation
 CSA Division of Economic Opportunity
 LABOR Employment Security Commission
 LABOR Manpower Planning
 DCPA Office of Civil Defense
 NFAH Oklahoma Arts and Humanities
 Council
 HEW State Board of Vocational Education
 DCAA State National Guard
 INT Dept. of Wildlife Conservation
 EPA Conservation Commission
 EPA Water Resources Board
 INT Oklahoma Tourism and Recreation
 Dept.

Oklahoma

Counties

HEW Comanche
 HEW Garfield
 HEW Kay
 EPA Muskogee
 HEW Oklahoma
 EPA Tulsa

Municipalities

HUD Lawton
 HEW Oklahoma City
 EPA Tulsa

Oregon

State Agency

AGRI Dept. of Forestry
 JUST Corrections Division
 AGRI Dept. of Agriculture
 HEW Dept. of Education
 LABOR Dept. of Employment
 EPA Dept. of Environmental Quality

HEW Dept. of Human Resources
 DOT Dept. of Transportation
 INT Fish and Wildlife Dept.
 HUD Office of the Governor
 NFAH Oregon Arts Commission
 HEW State Board of Control
 DCPA State Executive Dept.—Emergency
 Services Division
 INT State Parks Superintendent
 HEW State System of Higher Education

Counties

HEW Clackamas
 HEW Coos
 HEW Douglas
 HEW Jackson
 HEW Lane
 HEW Linn
 HEW Marion
 HEW Washington

Municipalities

HUD Eugene
 HEW Portland

Pennsylvania

State Agency

DCPA Civil Defense, State Council of Civil
 Defense
 AGRI Dept. of Agriculture
 COMM Dept. of Commerce
 HUD Dept. of Community Affairs
 HEW Dept. of Education
 EPA Dept. of Environmental Resources
 HEW Dept. of Health
 DOT Dept. of Highways
 JUST Dept. of Justice
 LABOR Dept. of Labor and Industry
 HEW Dept. of Public Welfare
 DOT Dept. of Transportation
 INT Fish Commission
 INT Game Commission
 LABOR Governor's Office
 INT Historical and Museum Comm.
 DCAA Military Affairs
 HEW Office for the Blind
 JUST Penn. Board of Probation & Parole
 NFAH Penn. Council on the Arts
 HEW Penn. Higher Education Assistance
 DOT Penn. State Police
 DCAA State National Guard
 INT State Planning Board

Counties

HEW Adams
 LABOR Allegheny
 HEW Armstrong
 HEW Beaver
 HEW Berks
 HEW Blair
 HEW Bradford
 EPA Bucks
 HEW Butler
 HEW Cambria
 HEW Carbon
 HEW Centre
 HEW Chester
 HEW Clearfield
 HEW Columbia
 HEW Crawford
 HEW Cumberland
 HEW Dauphin
 HEW Delaware
 HEW Erie
 HEW Fayette
 HUD Franklin

HEW Indiana
 EPA Lackawanna
 LABOR Lancaster
 HEW Lawrence
 HEW Lebanon
 HEW Lehigh
 HEW Luzerne
 HEW Lycoming
 HEW McKean
 HEW Mercer
 HEW Montgomery
 HEW Northampton
 HEW Northumberland
 HEW Schuylkill
 HEW Somerset
 LABOR Washington
 HEW Westmoreland
 HEW York

Municipalities

HEW Allentown
 HUD Altoona
 HEW Bethlehem
 HUD Chester
 LABOR Erie
 HUD Harrisburg
 HUD Johnstown
 EPA Lancaster
 HUD Philadelphia
 LABOR Pittsburgh
 LABOR Reading
 EPA Scranton
 LABOR Westmoreland City
 HUD Wilkes Barre
 HEW York

Townships

HEW Abington
 HEW Bristol
 HEW Haverford
 HEW Lower Merion
 HEW Penn Hills
 HEW Upper Darby

Puerto Rico

State Agency

EPA Aqueduct & Sewer Authority
 DOT Authority of Metro Autobuses
 COMM Coop. Development Administration
 JUST Crime Commission
 HEW Dept. of Health
 LABOR Dept. of LABOR
 INT Dept. of Natural Resources
 HEW Dept. of Education
 HEW Dept. of Social Services
 DOT Dept. of Transportation and Public
 Works
 COMM Economic Development
 Administration of Puerto Rico
 EPA Environmental Quality Board
 COMM Industrial Development Corp.
 NFAH Institute of Puerto Rican Authors
 DC Office of Civil Preparedness & Defense
 INT Office of Cultural Affairs
 HUD Planning Board
 DOT Ports Authority
 HUD Puerto Rico Housing & Urban
 Development Corp.
 DCAA Puerto Rico National Guard
 INT Puerto Rico Recreational Development
 Company
 LABOR Right to Employment
 Administration
 HEW Dept. of Addiction Services

Rhode Island*State Agency*

DCPA Adjutant General—DCPA
 HEW Corrections
 AGRI Dept. of Agriculture
 HEW Dept. of Community Affairs
 HEW Dept. of Education
 LABOR Dept. of Employment Security
 HEW Dept. of Health
 LABOR Dept. of Labor
 INT Dept. of Natural Resources
 DOT Dept. of Transportation
 HEW Division of Services for the Blind
 CSA Executive Chamber
 HEW Executive Dept., Division on Aging
 HEW Mental Health, Retardation and Hospitals
 NFAH Rhode Island State Council on the Arts
 HEW Social and Rehabilitative Services
 HUD State Development Council
 DCAA State National Guard

Municipalities

HEW Cranston
 EPA Pawtucket
 HUD Providence
 EPA Warwick

South Carolina*State Agency*

COMM Coastal Zone Management Council
 HEW Agency of Vocational Rehabilitation
 HEW Board of Health
 HEW Commission for the Blind
 HEW Dept. of Education
 DOT Dept. of Highways and Public Transportation
 LABOR Dept. of Labor
 HEW Dept. of Mental Health
 INT Dept. of Parks, Recreation and Tourism
 HEW Dept. of Public Welfare
 INT Dept. of Wildlife and Marine Resources
 DCPA Disaster Preparedness
 LABOR Employment Security Commission
 HEW Interagency Council of Aging
 CSA Office of Economic Opportunity
 HEW Pollution Control Authority
 HEW Retarded Children's Habitation Center Board
 NFAH South Carolina Arts Commission
 HEW South Carolina Commission on Alcoholism
 EPA South Carolina Pollution Control Authority
 AGRI State Agriculture Marketing Commission
 INT State Archives Dept.
 AGRI State Commission of Forestry
 COMM State Development Board
 EPA Land Resources & Conservation Commission

Counties

HEW Aiken
 HEW Anderson
 HEW Charleston
 HEW Darlington
 HEW Florence
 HEW Greenville
 HEW Horry
 HEW Lexington
 HEW Orangeburg
 LABOR Richland
 HEW Spartanburg

HEW Sumter
 HEW York

Municipalities

LABOR Charleston
 HUD Columbia
 LABOR Greenville

South Dakota*State Agency*

HEW Board of Charities and Corrections
 HEW Commission on Mental Health and Retardation
 HEW Division of Vocational Education
 HEW Division of Vocational Rehabilitation
 AGRI Dept. of Agriculture
 EPA Dept. of Environmental Protection
 INT Dept. of Game, Fish and Parks
 HEW Dept. of Health
 HEW Dept. of Public Instruction
 HEW Dept. of Public Welfare
 DOT Dept. of Transportation
 LABOR Employment Security Department
 NFAH South Dakota State Fine Arts Council
 DCPA Division of Emergency & Disaster Services
 DCAA State National Guard
 INT State Planning Agency

Counties

HEW Minnehaha
 HEW Pennington

Municipalities

EPA Sioux Falls

Tennessee*State Agency*

DCPA Civil Defense Military Dept.
 HEW Commission on Aging
 AGRI Dept. of Agriculture
 INT Dept. of Conservation
 HEW Dept. of Education
 LABOR Dept. of Employment Security
 HEW Dept. of Health
 LABOR Dept. of Labor
 HEW Dept. of Mental Health
 HEW Dept. of Public Health
 HEW Dept. of Public Welfare
 DOT Dept. of Transportation
 INT Wildlife Resources Agency
 HUD Government Industry & Law Center
 CSA Office of the Governor
 COMM Office of Urban and Federal Affairs
 HEW Office of Vocational Rehabilitation
 EPA Pollution Control Commission
 HUD State Planning Commission
 NFAH Tennessee Arts Commission
 INT Tennessee Historical Commission
 EPA Tennessee River Basin Water

Counties

HEW Anderson
 HEW Blount
 LABOR Davidson
 LABOR Hamilton
 HEW Knox
 HEW Madison
 HEW Montgomery
 HEW Rutherford
 HEW Shelby
 HEW Sullivan
 HEW Washington

Municipalities

LABOR Chattanooga
 HEW Knoxville
 HEW Memphis
 HUD Nashville

Texas*State Agency*

EPA Air Control Board
 HEW Commission for the Blind
 AGRI Dept. of Agriculture
 LABOR Dept. of Community Affairs
 HEW Texas Education Agency
 HEW Dept. of Mental Health and Retardation
 INT Dept. of Parks and Wildlife
 HEW Dept. of Human Resources
 DCPA Division of Disaster Emergency Services
 HEW Governor's Committee on Aging
 COMM Lower Rio Grande Valley Development Council
 CSA Office of the Governor
 INT Parks and Wildlife Commission
 HUD Planning Agency Council
 COMM State Commission for Indian Affairs
 LABOR State Employment Commission
 DOT State Department of Highways and Public Transportation
 NFAH Texas Commission on the Arts and Humanities
 HEW Texas Rehabilitation Commission
 INT Texas State Historical Commission
 EPA Dept. of Water Resources
 HEW Texas Youth Council
 HEW Dept. of Health Resources
 HEW Texas Advisory Commission on Intergovernmental Relations

Counties

LABOR Bell
 HEW Bexar
 HEW Bowie
 HEW Brazoria
 HEW Cameron
 HEW Dallas
 HEW Ector
 HEW El Paso
 HEW Galveston
 HUD Grayson
 HEW Gregg
 EPA Harris
 LABOR Hidalgo
 HEW Jefferson
 HEW Lubbock
 HEW McLennan
 HEW Midland
 HEW Nueces
 HUD Orange
 HUD Potter
 HEW Smith
 HEW Tarrant
 HEW Taylor
 HEW Tom Green
 HEW Travis
 LABOR Webb
 HEW Wichita

Municipalities

HEW Abilene
 LABOR Amarillo
 HUD Austin
 HEW Beaumont
 LABOR Corpus Christi
 LABOR Dallas
 EPA El Paso

HUD Forth Worth
 HUD Galveston
 EPA Houston
 HUD Laredo
 EPA Lubbock
 HEW San Angelo
 EPA San Antonio
 HEW Tyler
 EPA Waco
 EPA Wichita Falls

Trust Territory of the Pacific Islands
State Agency
 INT All Departments

Utah
State Agency
 LABOR Apprenticeship Council
 HEW Board for Higher Education
 AGRI Dept. of Agriculture
 LABOR Dept. of Employment Security
 DOT Dept. of Transportation
 INT Dept. of Natural Resources
 HEW Dept. of Social Services
 DCAA National Guard
 HUD Office of Community Affairs
 DCPA Office of Emergency Services
 HUD Office of the Governor
 JUST Public Safety
 HEW School for Deaf and Blind
 HEW State Board of Education
 HUD State Building Board State Planning
 HEW State Library
 NFAH Utah State Division of Fine Arts

Counties
 HEW Davis
 EPA Salt Lake
 HEW Utah
 HEW Weber

Municipalities
 HEW Ogden
 HUD Salt Lake City

Vermont
State Agency
 INT Agency for Environmental Conservation
 AGRI Dept. of Agriculture
 HEW Dept. of Education
 LABOR Dept. of Employment Security
 INT Dept. of Fish and Game
 LABOR Dept. of Labor and Industry
 DOT Dept. of Motor Vehicles
 DCPA Dept. of Public Safety, Civil Defense Division
 DOT Dept. of Transportation
 HEW Free Public Library
 HEW Interdepartmental Council on Aging
 HUD Office of Local Affairs
 CSA Office of the Governor
 HUD Planning Council
 HEW Rehabilitation Center
 VA Soldier's Home
 DCAA State National Guard
 NFAH Vermont Council on the Arts
 INT Vermont Div. for Historic Preservation
 HEW Vermont Agency for Human Services

Counties
 HEW Chittenden

Virgin Island
State Agency
 INT All Departments

Virginia
State Agency
 HEW Committee for the Visually Handicapped
 HEW Commission on the Aging
 AGRI Dept. of Agriculture and Commerce
 DOT Dept. of Conservation and Economic Development
 HEW Dept. of Education
 HEW Dept. of Health
 LABOR Dept. of Labor and Industries
 DOT Dept. of Highways and Transportation
 HEW Dept. of Mental Hygiene and Hospitals
 DCAA Dept. of Military Affairs
 HEW Dept. of Vocational Rehabilitation
 HEW Dept. of Welfare and Institutions
 HUD Division of State Planning and Community Affairs
 COMM Marine Resources Commission
 HUD Office of Administration
 CSA Office of Economic Opportunity
 DCPA Office of Emergency Services
 EPA State Air Pollution Control Board
 EPA State Water Control Board
 INT Virginia Commission of Game and Inland Fisheries
 INT Virginia Commission of Outdoor Recreation
 NFAH Virginia Commission on the Arts and Humanities
 LABOR Virginia Employment Commission
 HEW Virginia State Library
 INT Virginia Historic Landmarks Commission

Counties
 LABOR Arlington
 EPA Chesterfield
 LABOR Fairfax
 HEW Henrico
 HEW Pittsylvania
 EPA Prince William
 HEW Roanoke

Municipalities
 EPA Alexandria
 HEW Chesapeake
 EPA Hampton
 HEW Lynchburg
 HUD Newport News
 HEW Norfolk
 HEW Portsmouth
 EPA Richmond
 EPA Roanoke
 HEW Virginia Beach

Washington
State Agency
 EEOC Board Against Discrimination
 AGRI Dept. of Agriculture
 COMM Dept. of Commerce and Economic Development
 EPA Dept. of Ecology
 HEW Dept. of Education
 DCPA Dept. of Emergency Services
 LABOR Dept. of Employment Security
 INT Dept. of Fisheries
 INT Dept. of Game
 HEW Dept. of Health
 HEW Dept. of Institutions

LABOR Dept. of Labor and Industries
 ACRI Dept. of Natural Resources
 HEW Dept. of Public Assistance
 DOT Dept. of Transportation
 INT Dept. of Water Resources
 HEW Division of Vocational Education
 HEW Higher Education Facilities Commission
 INT Interagency Committee for Outdoor Recreation
 JUST Law Enforcement Officers Training Commission
 DCAA Military Department
 JUST Office of Attorney General
 CSA Office of Economic Opportunity
 HEW Office of Vocational Rehabilitation
 LEAA Planning and Community Affairs
 INT State Historic Preservation Officer
 EPA State Water Pollution Control Commission
 NFAH Washington State Arts Commission
 HEW Washington State Library
 DOT Washington Traffic Safety Commission

Counties
 HEW Benton
 HEW Clark
 HEW Cowlitz
 HEW Grays Harbor
 HEW King
 HEW Kitsap
 HEW Pierce
 HEW Skagit
 HEW Snohomish
 HEW Spokane
 HEW Thurston
 HEW Watcom
 HEW Yakima

Municipalities
 HEW Seattle
 HEW Spokane
 HUD Tacoma

West Virginia
State Agency
 HEW Air Pollution Control Commission
 HEW Board of Vocational Education
 HEW Commission Aging
 AGRI Dept. of Agriculture
 DCPA Dept. of Civil and Defense Mobilization
 INT Dept. of Culture & History
 HEW Dept. of Education
 LABOR Dept. of Employment Security
 HEW Dept. of Social and Health Services
 DOT Dept. of Highways
 LABOR Dept. of Labor
 HEW Dept. of Mental Health
 INT Dept. of Natural Resources
 HEW Dept. of Welfare
 CSA Economic Opportunity Agency
 LABOR Federal State Relations Office
 HEW Health Planning Agency
 DCPA Office of Emergency Services
 HEW Office of Vocational Rehabilitation
 DCAA State National Guard
 NFAH West Virginia Arts and Humanities Council

Counties
 HEW Cabell
 HEW Fayette
 HEW Harrison
 EPA Kanawha

HEW Logan
HEW Marion
HEW McDowell
HEW Mercer
HEW Monongalia
EPA Ohio
HEW Raleigh
HEW Wood

Municipalities

EPA Charleston
HUD Huntington
HUD Wheeling

Wisconsin

State Agency

DCPA Administrative Division of
Emergency Government
HEW Board of Vocational, Technical and
Adult Education
AGRI Dept. of Agriculture
HEW Dept. of Health and Social Services
LABOR Dept. of Industry, Labor and
Human Relations
HUD Dept. of Local Affairs and
Development
DCAA Dept. of Military Affairs
INT Dept. of Natural Resources
HEW Dept. of Public Instruction
DOT Dept. of Transportation
NFAH Wisconsin Arts Board
COMM State Planning Agency

Counties

HEW Brown
HEW Dane
HEW Dodge
HEW Eau Claire
HEW Fond du Lac
HEW Jefferson
HEW Kenosha
HEW LaCrosse
HEW Manitowoc
HEW Marathon
HUD Milwaukee
HEW Outagamie
HEW Racine
HEW Rock
HEW Sheboygan
HEW Walworth
HEW Waukesha
HEW Winnebago
HEW Wood

Municipalities

HEW Green Bay
HEW Kenosha
HEW Madison
HEW Milwaukee
EPA Racine
HEW Wauwatosa
HEW West Allis

Wisconsin

State Agency

HEW Board of Charities and Reform
AGRI Dept. of Agriculture
HUD Dept. of Economic Planning &
Development
HEW Dept. of Education
EPA Dept. of Environmental Quality
HEW Dept. of Health and Social Services
DCPA Disaster and Civil Defense Agency
LABOR Employment Security Commission
INT Game and Fish Dept.
LABOR Labor and Statistics

LABOR Manpower Planning
CSA Office of State-Federal Relations
INT Recreation Commission
DOT Highway Department
AGRI State Land Board
DCAA State National Guard
LABOR Workmen's Compensation
NFAH Wyoming Council on the Arts

Counties

HEW Laramie

Part IV—Federal Agencies Responsible for the Audit and Approval of Cost Allocation Plans of School District and Special Districts**Federal Agency and School Districts**

Department of Health, Education, &
Welfare—All
Special Districts
Department of Health, Education, &
Welfare—School Building, Hospital,
Library, and Health
Department of Transportation—Highway
and Airport
Environmental Protection Agency—
Sewerage
Department of the Interior—Park and
Recreation
Department of Housing and Urban
Development—Housing and Urban
Renewal
Department of Commerce—Economic
Development (Districts established by
the Economic Development
Administration)
Department of Labor—CETA Consortiums
Rural Concentrated Employee Programs

Part V—Addresses of Federal Offices to Contact Regarding The Requirements of OMB Circular 74-4

Each Federal agency responsible for auditing and approving cost allocation plans, indirect cost proposals and other cost center proposals prepared by States and localities under OMB Circular 74-4 has designated an office or offices which will carry out that responsibility. The offices and addresses for each agency are:

Community Services Administration

Office of the Comptroller, Community
Services Administration, 1200 10th Street
NW., Washington, D.C. 20500

Department of Agriculture

Director, Office of Management and Finance,
U.S. Department of Agriculture, Room
102A, Administration Bldg., 14th and
Independence Avenue SW., Washington,
D.C. 20250

Department of Commerce

Office of the Inspector General, Office of
Audits, U.S. Department of Commerce, 14th
and Constitution Avenue NW.,
Washington, D.C. 20230

Department of Defense

DOD-DCAA: Defense Contract Audit
Agency, Policy Formulation Division,
Cameron Station, Alexandria, Virginia
22314

IOD-DCPA: Defense Civil Preparedness
Agency, COMPAUD, Department of
Defense, 1053 CWB, The Pentagon,
Washington, D.C. 20301

Department of Health, Education, and Welfare

Attn: Director, Division of Cost Allocation,
RASC

For State and Local Agencies

Rm. 1512, John Fitzgerald Kennedy Federal
Bldg., Government Center, Boston, MA
02203; Connecticut, Maine, Massachusetts,
New Hampshire, Rhode Island, Vermont
Rm. 3838, Federal Office Bldg., 28 Federal
Plaza, New York, NY 10007; New Jersey,
New York, Puerto Rico
Rm. 11300, Gateway Bldg., 3535 Market
Street, Philadelphia, PA 19101; Delaware,
Maryland, Washington, D.C., West
Virginia, Virginia
Rm. 1504, Peachtree-Seventh Bldg., 101
Marietta Towers, Atlanta, GA 30323;
Alabama, Florida, Georgia, Kentucky,
Mississippi, North Carolina, South
Carolina, Tennessee
29th Floor, 300 South Wacker Drive, Chicago,
IL 60600; Illinois, Indiana, Michigan,
Minnesota, Ohio, Wisconsin
Rm. 830, 1200 Main Tower Bldg., Dallas, TX
75202; Arkansas, Louisiana, Texas, New
Mexico, Oklahoma
Rm. 540, Federal Office Bldg., 601 East 12th
Street, Kansas City, MO 64100; Iowa,
Kansas, Missouri, Nebraska
Rm. 1015, 19th Stout Street, Denver, CO
80294; Colorado, Montana, North Dakota,
South Dakota, Utah, Wyoming
Rm. 411, Federal Office, Bldg., 50 United
National Plaza, San Francisco, CA 94102;
Arizona, California, Hawaii, Nevada
Rm. 8523; Arcade Plaza Bldg., 1312 Second
Avenue, Seattle, WA 98101; Alaska, Idaho,
Oregon, Washington

Department of Justice

Director, Office of Internal Audit, Department
of Justice, Chester A. Arthur Bldg., Rm.
5031, 425 Eye Street NW., Washington, DC
20530

Department of Housing and Urban Development

Attn: Regional Administrator, HUD Regional
Office

Region:

I Room 405, John F. Kennedy Federal
Building, Boston, MA 02203
II 20 Federal Plaza; New York, NY 10007
III Curtis Building, 6th and Walnut
Streets, Philadelphia, PA 19100
IV 211 Pershing Point Plaza, 1372
Peachtree St. NE.
V 300 South Wacker Drive, Chicago, IL
60600
VI New Dallas Federal Building, 1100
Commerce Street, Dallas, TX 75202
VII Federal Office Bldg., Room 300,
Walnut Street, Kansas City, MO 64100
VIII Federal Building, 1961 Stout Street,
Denver, CO 80202
IX 450 Golden Gate Avenue, P.O. Box
36003, San Francisco, CA 94102
X Room 220, Arcade Plaza Building,
Seattle, WA 98101

Department of the Interior

Eastern Region Audit Manager, Office of
Audit and Investigation, Department of the
Interior, Ballston Towers #1, 800 N. Quincy
Street, Rm. 401, Arlington, VA 22207

Central Regional Audit Manager, Office of
Audit and Investigation, Department of the
Interior, 1841 Wadsworth, Lakewood, CO
80215

Western Regional Audit Manager, Office of
Audit and Investigation, Department of the
Interior, Federal Office Building, Rm.
W2400, 2800 Cottage Way, Sacramento, CA
95825

Government Comptroller for Guam/Trust
Territory of the Pacific Islands, U.S.
Department of the Interior, P.O. Box BJ,
Agana, Guam 96910

Government Comptroller for the Virgin
Islands, U.S. Department of the Interior,
P.O. Box 7730, Charlotte Amalie, St.
Thomas, Virgin Islands 00801

Department of Labor

Assistant Director, Office of Cost
Determination, U.S. Department of Labor,
Room 5030, 200 Constitution Avenue NW.,
Washington, DC 20210

Department of Transportation

Office of Installations and Logistics, M-60,
Room 9100 Nassif Building, Department of
Transportation, 400 7th Street SW.,
Washington, DC 20590

Environmental Protection Agency

Chief, Cost Review and Policy Branch,
Environmental Protection Agency, 401 M
Street SW., Room 711, Crystal Mall #2,
Washington, DC 20460

Law Enforcement Assistance Administration

Comptroller, Law Enforcement Assistance
Administration, Department of Justice, 633
Indiana Avenue NW., Room 300,
Washington, DC 20530

National Endowment for the Arts

Audit Officer, National Endowment for the
Arts, Rm. W-729, 2401 E. Street NW.,
Washington, DC 20506

National Endowment for the Humanities

Audit Officer, Shoreham Building, 15th & H
Streets, Rm. 807, Washington, DC 20506

Veterans Administration

Assistant Director for Accounting Systems
(0471), Finance Service, Office of
Controller, Veterans Administration, 810
Vermont Avenue NW., Washington, DC
20420

Department of Energy

Financial Assistance Policy, Procurement and
Contracts Directorate, Department of
Energy, Mail Stop 11030, Washington, DC
20504

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OFFICE OF MANAGEMENT AND BUDGET

Circular A-122, "Cost Principles for Nonprofit Organizations"

AGENCY: Office of Management and Budget.

ACTION: Final Policy.

June 27, 1980

To The Heads of Executive Departments and Establishments

Subject: Cost principles for nonprofit organizations.

1. *Purpose.* This Circular establishes principles for determining costs of grants, contracts and other agreements with nonprofit organizations. It does not apply to colleges and universities which are covered by Circular A-21; State, local, and federally recognized Indian tribal governments which are covered by Circular 74-4; or hospitals. The principles are designed to provide that the Federal Government bear its fair share of costs except where restricted or prohibited by law. The principles do not attempt to prescribe the extent of cost sharing or matching on grants, contracts, or other agreements. However, such cost sharing or matching shall not be accomplished through arbitrary limitations on individual cost elements by Federal agencies. Provision for profit or other increment above cost is outside the scope of this Circular.

2. *Supersession.* This Circular supersedes cost principles issued by individual agencies for nonprofit organization.

3. *Applicability.* a. These principles shall be used by all Federal agencies in determining the costs of work performed by nonprofit organizations under grants, cooperative agreements, cost reimbursement contracts, and other contracts in which costs are used in pricing, administration, or settlement. All of these instruments are hereafter referred to as awards. The principles do not apply to awards under which an organization is not required to account to the Government for actual costs incurred.

b. All cost reimbursement subawards (subgrants, subcontracts, etc.) are subject to those Federal cost principles applicable to the particular organization concerned. Thus, if a subaward is to a nonprofit organization, this Circular shall apply; if a subaward is to a commercial organization, the cost principles applicable to commercial concerns shall apply; if a subaward is to a college or university, Circular A-21 shall apply; if a subaward is to a State,

local, or federally recognized Indian tribal government, Circular 74-4 shall apply.

4. *Definitions.* a. "Nonprofit organization" means any corporation, trust, association, cooperative, or other organization which (1) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest; (2) is not organized primarily for profit; and (3) uses its net proceeds to maintain, improve, and/or expand its operations. For this purpose, the term "nonprofit organization" excludes (i) colleges and universities; (ii) hospitals; (iii) State, local, and federally recognized Indian tribal governments; and (iv) those nonprofit organizations which are excluded from coverage of this Circular in accordance with paragraph 5 below.

b. "Prior approval" means securing the awarding agency's permission in advance to incur cost for those items that are designated as requiring prior approval by the Circular. Generally this permission will be in writing. Where an item of cost requiring prior approval is specified in the budget of an award, approval of the budget constitutes approval of that cost.

5. *Exclusion of some nonprofit organizations.* Some nonprofit organizations, because of their size and nature of operations, can be considered to be similar to commercial concerns for purpose of applicability of cost principles. Such nonprofit organizations shall operate under Federal cost principles applicable to commercial concerns. A listing of these organizations is contained in Attachment C. Other organizations may be added from time to time.

6. *Responsibilities.* Agencies responsible for administering programs that involve awards to nonprofit organizations shall implement the provisions of this Circular. Upon request, implementing instructions shall be furnished to the Office of Management and Budget. Agencies shall designate a liaison official to serve as the agency representative on matters relating to the implementation of this Circular. The name and title of such representative shall be furnished to the Office of Management and Budget within 30 days of the date of this Circular.

7. *Attachments.* The principles and related policy guides are set forth in the following Attachments:

Attachment A—General Principles
Attachment B—Selected Items of Cost
Attachment C—Nonprofit Organizations Not Subject to This Circular

8. *Requests for exceptions.* The Office of Management and Budget may grant exceptions to the requirements of this Circular when permissible under existing law. However, in the interest of achieving maximum uniformity, exceptions will be permitted only in highly unusual circumstances.

9. *Effective Date.* The provisions of this Circular are effective immediately. Implementation shall be phased in by incorporating the provisions into new awards made after the start of the organization's next fiscal year. For existing awards the new principles may be applied if an organization and the cognizant Federal agency agree. Earlier implementation, or a delay in implementation of individual provisions is also permitted by mutual agreement between an organization and the cognizant Federal agency.

10. *Inquiries.* Further information concerning this Circular may be obtained by contacting the Financial Management Branch, Budget Review Division, Office of Management and Budget, Washington, D.C. 20503, telephone (202) 395-4773.

James T. McIntyre, Jr.

Director.

[Circular No. A-122]

Attachment A

General Principles

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[Circular No. A-122]

Attachment A

General Principles

A. Basic Considerations.

1. *Composition of total costs.* The total cost of an award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

2. *Factors affecting allowability of costs.*

To be allowable under an award, costs must meet the following general criteria:

a. Be reasonable for the performance of the award and be allocable thereto under these principles.

b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.

c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.

d. Be accorded consistent treatment.

e. Be determined in accordance with generally accepted accounting principles.

f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.

g. Be adequately documented.

3. *Reasonable costs.* A cost is reasonable if, in its nature or 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 costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof which receive the preponderance of their support from awards made by Federal agencies. In determining the 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 organization or the performance of the award.

b. The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award.

c. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Government.

d. Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

4. *Allocable costs.*

a. A cost is allocable to a particular cost objective, such as a grant, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Government award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

(1) Is incurred specifically for the award.

(2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received.

(3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

5. *Applicable credits.*

a. The term applicable credits refers to those receipts, or reduction of expenditures which operate to offset or reduce expenses items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing or received by the organization relate to allowable cost they shall be credited to the Government either as a cost reduction or cash refund as appropriate.

b. In some instances, the amounts received from the Federal Government to finance organizational activities or service operations should be treated as applicable credits. Specifically, the concept of netting such credit items against related expenditures should be applied by the organization in determining the rates or amounts to be charged to Federal awards for services rendered where the facilities or other resources used in providing such services have been financed directly, in whole or in part, by Federal funds.

(c) For rules covering program income (i.e., gross income earned from Federally supported activities) see Attachment D of OMB Circular A-110.

6. *Advance and understandings.* Under any given award the reasonableness and allocability of certain items of costs may be difficult to determine. This is particularly true in connection with organizations that receive a preponderance of their support from Federal agencies. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, it is often desirable to seek a written agreement with the cognizant or awarding agency in advance of the incurrence of special or unusual costs. The absence of an advance agreement on any element of cost will not, in itself, affect the reasonableness or allocability of that element.

B. Direct Costs

1. Direct costs are those that can be identified specifically with a particular final cost objective; i.e., a particular award, project, service, or other direct activity of an organization. However, a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost. Cost identified specifically with awards are direct cost of the awards and are to be assigned directly thereto. Cost identified specifically with other final cost objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly.

2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the account treatment for such cost is consistently applied to all final cost objectives.

3. The cost of certain activities are not allowable as charges to Federal awards (see, for example, fund raising costs in paragraph

21 of Attachment B). However, even though these costs are unallowable for purposes of computing charges to Federal awards, they nonetheless must be treated as direct cost for purposes of determining indirect cost rates and be allocated their share of the organization's indirect costs if they represent activities which (1) include the salaries of personnel, (2) occupy space, and (3) benefit from the organization's indirect costs.

4. The costs of activities performed primarily as a service to members, clients, or the general public when significant and necessary to the organization's mission must be treated as direct costs when or not allowable and be allocated an equitable share of indirect costs. Some examples of these types of activities include:

a. Maintenance of membership rolls, subscriptions, publications, and related functions.

b. Providing services and information to members, legislative or administrative bodies, or the public.

c. Promotion, lobbying, and other forms of public relations.

d. Meetings and conferences except those held to conduct the general administration of the organization.

5. Maintenance, protection, and investment of special funds not used in operation of the organization.

f. Administration of group benefits on behalf of members of clients including life and hospital insurance, annuity or retirement plans, financial aid, etc.

C. Indirect Cost.

1. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect costs under the conditions described in paragraph B.2. above. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.

2. Because of the diverse characteristics and accounting practices of nonprofit organizations, it is not possible to specify the types of cost which may be classified as indirect cost in all situations. However, typical examples of indirect cost for many nonprofit organizations may include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.

D. Allocation of Indirect Cost and Determination of Indirect Cost Rates.

1. General.

a. Where a nonprofit organization has only one major function, or where all its major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs and the

computation of an indirect cost rate may be accomplished through simplified allocation procedures as described in paragraph 2 below.

b. Where an organization has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).

c. The determination of what constitutes an organization's major functions will depend on its purpose in being; the types of services it renders to the public, its clients, and its members; and the amount of effort it devotes to such activities as fund raising, public information and membership activities.

d. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in paragraphs 2 through 5 below.

e. The base period for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation work performed in that period. The base period normally should coincide with the organization's fiscal year, but in any event, shall be so selected as to avoid inequities in the allocation of the costs.

2. Simplified allocation method.

a. Where an organization's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (i) separating the organization's total costs for the base period as either direct or indirect, and (ii) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to individual awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected. This method should also be used where an organization has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to an organization is relatively small.

b. Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs which represent activities must be included in the direct costs under the conditions described in paragraph B.3. above.

c. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as major subcontracts or subgrants), direct salaries and wages, or other base which results in an equitable distribution. The distribution base shall generally exclude participant support costs as defined in paragraph 29 of Attachment B.

d. Except where a special rate(s) is required in accordance with paragraph D.5

below, the indirect cost rate developed under the above principles is applicable to all awards at the organization. If a special rate(s) is required, appropriate modifications shall be made in order to develop the special rate(s).

3. Multiple allocation base method.

a. Where an organization's indirect costs benefit its major functions in varying degrees, such costs shall be accumulated into separate cost groupings. Each grouping shall then be allocated individually to benefiting functions by means of a base which best measures the relative benefits.

b. The groupings shall be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping should constitute a pool of expenses that are of like character in terms of the functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The number of separate groupings should be held within practical limits, taking into consideration the materiality of the amounts involved and the degree of precision desired.

c. Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefiting functions. When an allocation can be made by assignment of a cost grouping directly to the function benefited, the allocation shall be made in that manner. Where the expenses in a grouping are more general in nature, the allocation should be made through the use of a selected base which produces results that are equitable to both the Government and the organization. In general, any cost element or cost related factor associated with the organization's work is potentially adaptable for use as an allocation base provided (i) it can readily be expressed in terms of dollars or other quantitative measures (total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, and the like) and (ii) it is common to the benefiting functions during the base period.

d. Except where a special indirect cost rate(s) is required in accordance with paragraph D.5. below, the separate groupings of indirect costs allocated to each major function shall be aggregated and treated as a common pool for that function. The costs in the common pool shall then be distributed to individual awards included in that function by use of a single indirect cost rate.

e. The distribution base used in computing the indirect cost rate for each function may be total direct costs (excluding capital expenditures and other distorting items such as major subcontracts and subgrants), direct salaries and wages, or other base which results in an equitable distribution. The distribution base shall generally exclude participant support costs as defined in paragraph 29, Attachment B. An indirect cost rate should be developed for each separate indirect cost pool developed. The rate in each case should be stated as the percentage which the amount of the particular indirect cost pool is of the distribution base identified

with that pool.

4. Direct allocation method.

a. Some nonprofit organizations, treat all costs as direct costs except general administration and general expenses. These organizations generally separate their costs into three basic categories: (i) General administration and general expenses, (ii) fund raising, and (iii) other direct functions (including projects performed under Federal awards). Joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephonic expenses, and the like are prorated individually as direct cost to each category and to each award, or other activity using a base most appropriate to the particular cost being prorated.

b. This method is acceptable provided each joint cost is prorated using a base which accurately measures the benefits provided to each award or other activity. The bases must be established in accordance with reasonable criteria, and be supported by current data. This method is compatible with the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations issued jointly by the National Health Council, Inc., the National Assembly of Voluntary Health and Social Welfare Organizations, and the United Way of America.

c. Under this method, indirect costs consist exclusively of general administration and general expenses. In all other respects, the organization's indirect cost rates shall be computed in the same manner as that described in paragraph D.2 above.

5. Special indirect cost rates. In some instances, a single indirect cost rate for all activities of an organization or for each major function of the organization may not be appropriate, since it would not take into account those different factors which may substantially affect the indirect costs applicable to a particular segment of work. For this purpose, a particular segment of work may be that performed under a single award or it may consist of work under a group of awards performed in a common environment. The factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or order resources employed, the scientific disciplines or technical skills involved, the organizational arrangements used, or any combination thereof. When a particular segment of work is performed in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to such work. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost rate resulting therefrom should be used provided it is determined that (i) the rate differs significantly from that which would have been obtained under paragraph D.2, 3, and 4 above, and (ii) the volume of work to which the rate would apply is material.

E. Negotiation and Approval of Indirect Cost Rates.

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

a. "Cognizant agency" means the Federal agency responsible for negotiating and approving indirect cost rates for a nonprofit organization on behalf of all Federal agencies.

b. "Predetermined rate" means an indirect cost rate, applicable to a specified current or future period, usually the organization's fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment.

c. "Fixed rate" means an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

d. "Final rate" means an indirect cost rate applicable to a specified past period which is based on the actual costs of the period. A final rate is not subject to adjustment.

e. "Provisional rate" or billing rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards pending the establishment of a rate for the period.

f. "Indirect cost proposal" means the documentation prepared by an organization to substantiate its claim for the reimbursement of indirect costs. This proposal provides the basis for the review and negotiation leading to the establishment of an organization's indirect cost rate.

g. "Cost objective" means a function, organizational subdivision, contract, grant, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs and capitalized projects.

2. *Negotiation and approval of rates.*

a. Unless different arrangements are agreed to by the agencies concerned, the Federal agency with the largest dollar value of awards with an organization will be designated as the cognizant agency for the negotiation and approval of indirect cost rates and, where necessary, other rates such as fringe benefit and computer charge-out rates. Once an agency is assigned cognizance for a particular nonprofit organization, the assignment will not be changed unless there is a major long-term shift in the dollar volume of the Federal awards to the organization. All concerned Federal agencies shall be given the opportunity to participate in the negotiation process, but after a rate has been agreed upon it will be accepted by all Federal agencies. When a Federal agency has reason to believe that special operating factors affecting its awards necessitate special indirect cost rates in accordance with paragraph D.5 above, it will, prior to the time the rates are negotiated, notify the cognizant agency.

b. A nonprofit organization which has not previously established an indirect cost rate with a Federal agency shall after the organization is advised that an award will be

made and, in no event, later than three months after the effective date of the award.

c. Organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency within six months after the close of each fiscal year.

d. A predetermined rate may be negotiated for use on awards where there is reasonable assurance, based on past experience and reliable projection of the organization's costs, that the rate is not likely to exceed a rate based on the organization's actual costs.

e. Fixed rates may be negotiated where predetermined rates are not considered appropriate. A fixed rate, however, shall not be negotiated if (i) all or a substantial portion of the organization's awards are expected to expire before the carry-forward adjustment can be made; (ii) the mix of Government and non-government work at the organization is too erratic to permit an equitable carry-forward adjustment; or (iii) the organization's operations fluctuate significantly from year to year.

f. Provisional and final rates shall be negotiated where neither predetermined nor fixed rates are appropriate.

g. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the nonprofit organization. The cognizant agency shall distribute copies of the agreement to all concerned Federal agencies.

h. If a dispute arises in a negotiation of an indirect cost rate between the cognizant agency and the nonprofit organization, the dispute shall be resolved in accordance with the appeals procedures of the cognizant agency.

i. To the extent that problems are encountered among the Federal agencies in connection with the negotiation and approval process, the Office of Management and Budget will lead assistance as required to resolve such problems in a timely manner.

[Circular No. A-122]

Attachment B

Selected Items of Cost

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[Circular No. A-122]

Attachment B

Selected Items of Cost

Paragraphs 1 through 50 provide principles to be applied in establishing the allowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. Failure to mention a particular item of cost is not intended to imply that it is unallowable; rather determination as to allowability in each case should be based on the treatment or principles provided for similar or related items of cost.

1. *Advertising costs.*

a. Advertising costs mean the costs of media services and associated costs. Media advertising includes magazines, newspapers, radio and television programs, direct mail, exhibits, and the like.

b. The only advertising costs allowable are those which are solely for (i) the recruitment of personnel when considered in conjunction with all other recruitment costs, as set forth in paragraph 40; (ii) the procurement of goods and services; (iii) the disposal of surplus materials acquired in the performance of the award except when organizations are reimbursed for disposals at a predetermined amount in accordance with Attachment N of OMB Circular A-110; or (iv) specific requirements of the award.

2. *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.

3. *Bid and proposal costs.* (reserved)

4. *Bonding costs.*

a. Bonding costs arise when the Government requires assurance against financial loss to itself or others by reason of the act or default of the organization. They arise also in instances where the organization requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds.

b. Costs of bonding required pursuant to the terms of the award are allowable.

c. Costs of bonding required by the organization in the general conduct of its operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

5. *Communication costs.* Costs incurred for telephone services, local and long distance telephone calls, telegrams, radiograms, postage and the like, are allowable.

0. *Compensation for personal services.*

a. *Definition.* Compensation for personal services includes all compensation paid currently or accrued by the organization for services of employees rendered during the period of the award (except as otherwise provided in paragraph g. below). It includes, but is not limited to, salaries, wages, director's and executive committee member's fees, incentive awards, fringe benefits, pension plan costs, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost of living differentials.

b. *Allowability.* Except as otherwise specifically provided in this paragraph the costs of such compensation are allowable to the extent that:

(1) Total compensation to individual employees is reasonable for the services rendered and conforms to the established policy of the organization consistently applied to both Government and non-Government activities; and

(2) Charges to awards when treated as direct or indirect costs are determined and supported as required in this paragraph.

c. *Reasonableness.*

(1) When the organization is predominantly engaged in activities other than those sponsored by the Government, compensation for employees on Government-sponsored work will be considered reasonable to the extent that it is consistent with that paid for similar work in the organization's other activities.

(2) When the organization is predominantly engaged in Government-sponsored activities and in cases where the kind of employees required for the Government activities are not found in the organization's other activities, compensation for employees on Government-sponsored work will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor markets in which the organization competes for the kind of employees involved.

d. *Special considerations in determining allowability.* Certain conditions require special consideration and possible limitations in determining costs under Federal awards where amounts or types of compensation appear unreasonable. Among such conditions are the following:

(1) Compensation to members of nonprofit

organizations, trustees, directors, associates, officers, or the immediate families thereof. Determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs.

(2) Any change in an organization's compensation policy resulting in a substantial increase in the organization's level of compensation, particularly when it was concurrent with an increase in the ratio of Government awards to other activities of the organization or any change in the treatment of allowability of specific types of compensation due to changes in Government policy.

e. *Unallowable costs.* Costs which are unallowable under other paragraphs of this Attachment shall not be allowable under this paragraph solely on the basis that they constitute personal compensation.

f. *Fringe benefits.*

(1) Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as vacation leave, sick leave, military leave, and the like, are allowable provided such costs are absorbed by all organization activities in proportion to the relative amount of time or effort actually devoted to each.

(2) Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, pension plan costs (see paragraph g. below), and the like, are allowable provided such benefits are granted in accordance with established written organization policies. Such benefits whether treated as indirect costs or as direct costs, shall be distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the individuals or group of employees whose salaries and wages are chargeable to such awards and other activities.

(3)(a) Provisions for a reserve under a self-insurance program for unemployment compensation or workmen's compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.

(b) Where an organization follows a consistent policy of expensing actual payments to, or on behalf of, employees or former employees for unemployment compensation or workmen's compensation, such payments are allowable in the year of payment with the prior approval of the awarding agency provided they are allocated to all activities of the organization.

(4) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the organization is named as

beneficiary are unallowable.

g. *Pension plan costs.*

(1) Costs of the organization's pension plan which are incurred in accordance with the established policies of the organization are allowable, provided:

(a) Such policies meet the test of reasonableness;

(b) The methods of cost allocation are not discriminatory;

(c) The cost assigned to each fiscal year is determined in accordance with generally accepted accounting principles as prescribed in Accounting Principles Board Opinion No. 8 issued by the American Institute of Certified Public Accountants; and

(d) The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.

(2) Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act of 1974 (Pub. L. 93-406) are allowable. Late payment charges on such premiums are unallowable.

(3) Excise taxes on accumulated funding deficiencies and other penalties imposed under the Employee Retirement Income Security Act are unallowable.

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

i. *Overtime, extra pay shift, and multishift premiums.* See paragraph 27.

j. *Severance pay.* See paragraph 44.

k. *Training and education costs.* See paragraph 48.

l. *Support of salaries and wages.*

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports as prescribed in subparagraph (2) below, except when a substitute system has been approved in writing by the cognizant agency. (See paragraph E.2 of Attachment A)

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of

the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by nonprofit organizations to satisfy these requirements must meet the following standards:

(a) The reports must reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

(d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

(3) Charges for the salaries and wages of nonprofessional employees, in addition to the supporting documentation described in subparagraphs (1) and (2) above, must also be supported by records indicating the total number of hours worked each day maintained in conformance with Department of Labor regulations implementing the Fair Labor Standards Act (29 CFR Part 510). For this purpose, the term "nonprofessional employee" shall have the same meaning as "nonexempt employee," under the Fair Labor Standards Act.

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

7. *Contingency provisions.* Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable. The term "contingency reserve" excludes self-insurance reserves (see paragraph 6.f.(3) and 10.a.(2), 4); pension funds (see paragraph 6.g); and reserves for normal severance pay (see paragraph 44.(b)(1)).

8. *Contributions.* Contributions and donations by the organization to others are unallowable.

9. *Depreciation and use allowances.*

a. Compensation for the use of buildings, other capital improvements, and equipment on hand may be made through use allowances or depreciation. However, except as provided in paragraph f. below a combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.).

b. The computation of use allowances or depreciation shall be based on the acquisition cost of the assets involved. The acquisition cost of an asset donated to the

organization by a third party shall be its fair market value at the time of the donation.

c. The computation of use allowances or depreciation will exclude.

(1) The cost of land;

(2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides; and

(3) Any portion of the cost of buildings and equipment contributed by or for the organization in satisfaction of a statutory matching retirement.

d. Where the use allowance method is followed, the use allowance for buildings and improvement (including land improvements such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition cost. The use allowance for equipment will be computed at an annual rate not exceeding six and two-thirds 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 conditioning, 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, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the need for costly or extensive alterations or repairs to the building or the equipment. Equipment that meets these criteria will be subject to the six and two-thirds percent equipment use allowance limitation.

e. Where depreciation method is followed, the period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, technological developments in the particular program area, and the renewal and replacement policies followed for the individual items or classes of assets involved. The method of depreciation used to assign the cost of an asset (or group of assets) to accounting periods shall reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater or lesser in the early portions of its useful life than in the later portions, the straight-line method shall be presumed to be the appropriate method. Depreciation methods once used shall not be changed unless approved in advance by the cognizant Federal agency. When the depreciation method is introduced for application to assets previously subject to a use allowance, the combination of use allowances and depreciation applicable to such assets must not exceed the total acquisition cost of the assets. When the depreciation method is used for buildings, a building's shell may be

segregated from each building component (e.g., plumbing system, heating, and air conditioning system, etc.) and each item depreciated over its estimated useful life; or the entire building (i.e., the shell and all components) may be treated as a single asset and depreciated over a single useful life.

f. When the depreciation method is used for a particular class of assets, no depreciation may be allowed on any such assets that, under paragraph e. above, would be viewed as fully depreciated. However, a reasonable use allowance may be negotiated for such assets if warranted after taking into consideration the amount of depreciation previously charged to the Government, the estimated useful life remaining at time of negotiation, the effect of any increased maintenance charges or decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.

g. Charges for use allowances or depreciation must be supported by adequate property records and physical inventories must be taken at least once every two years (a statistical sampling basis is acceptable) to ensure that assets exist and are usable and needed. When the depreciation method is followed, adequate depreciation records indicating the amount of depreciation taken each period must also be maintained.

10. *Donations*

a. *Services received.*

(1) Donated or volunteer services may be furnished to an organization by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost.

(2) The value of donated services utilized in the performance of a direct cost activity shall be considered in the determination of the organization's indirect cost rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs when the following circumstances exist:

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

(b) The services are supported by a significant amount of the indirect costs incurred by the organization;

(c) The direct cost activity is not pursued primarily for the benefit of the Federal Government.

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

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

(5) The value of the donated services may be used to meet cost sharing or matching requirements under conditions described in Attachment E, OMB Circular No. A-110. Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donation so that

reimbursement will not be made.

(6) Fair market value of donated services shall be computed as follows:

(a) *Rates for volunteer services.* Rates for volunteers shall be consistent with those regular rates paid for similar work in other activities of the organization. In cases where the kinds of skills involved are not found in the other activities of the organization, the rates used shall be consistent with those paid for similar work in the labor market in which the organization competes for such skills.

(b) *Services donated by other organizations.* When an employer donates the services of an employee, these services shall be valued at the employee's regular rate of pay (exclusive of fringe benefits and indirect costs) provided the services are in the same skill for which the employee is normally paid. If the services are not in the same skill for which the employee is normally paid, fair market value shall be computed in accordance with subparagraph (a) above.

b. *Goods and space.*

(1) Donated goods; i.e., expendable personal property/supplies, and donated use of space may be furnished to an organization. The value of the goods and space is not reimbursable either as a direct or indirect cost.

(2) The value of the donations may be used to meet cost sharing or matching share requirements under the conditions described in Attachment E, OMB Circular No. A-110. The value of the donations shall be determined in accordance with Attachment E. Where donations are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

11. *Employee morale, health, and welfare, costs and credits.* The costs of house publications, health or first-aid clinics, and/or infirmaries, recreational activities, employees' counseling services, and other expenses incurred in accordance with the organization's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable. Such costs will be equitably apportioned to all activities of the organization. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably set over to employee welfare organizations.

12. *Entertainment costs.* Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable (but see paragraphs 11 and 25).

13. *Equipment and other capital expenditures.*

a. As used in this paragraph, the following terms have the meanings set forth below:

(1) "Equipment" means an article of nonexpendable tangible personal property having a useful life of more than two years and an acquisition cost of \$500 or more per unit. An organization may use its own definition provided that it at least includes all nonexpendable tangible personal property as defined herein.

(2) "Acquisition cost" means the net invoice unit price of an item of equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in-transit insurance, freight, and installation shall be included in or excluded from acquisition cost in accordance with the organization's regular written accounting practices.

(3) "Special purpose equipment" means equipment which is usable only for research, medical, scientific, or technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

(4) "General purpose equipment" means equipment which is usable for other than research, medical, scientific, or technical activities, whether or not special modifications are needed to make them suitable for a particular purpose. Examples of general purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and automatic data processing equipment.

b. (1) Capital expenditures for general purpose equipment are unallowable as a direct cost except with the prior approval of the awarding agency.

(2) Capital expenditures for special purpose equipment are allowable as direct costs provided that items with a unit cost of \$1000 or more have the prior approval of the awarding agency.

c. Capital expenditures for land or buildings are unallowable as a direct cost except with the prior approval of the awarding agency.

d. Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

e. Equipment and other capital expenditures are unallowable as indirect costs. However, see paragraph 9 for allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see paragraph 42 for allowability of rental costs for land, buildings, and equipment.

14. *Fines and penalties.* Costs of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.

15. *Fringe benefits.* See paragraph 6, f.

16. *Idle facilities and idle capacity.*

a. As used in this paragraph the following terms have the meanings set forth below:

(1) "Facilities" means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the organization.

(2) "Idle facilities" means completely unused facilities that are excess to the organization's current needs.

(3) "Idle capacity" means the unused

capacity of partially used facilities. It is the difference between that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays, and the extent to which the facility was actually used to meet demands during the accounting period. A multishift basis may be used if it can be shown that this amount of usage could normally be expected for the type of facility involved.

(4) "Costs of idle facilities or idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs; e.g., property taxes, insurance, and depreciation or use allowances.

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

(1) They are unnecessary to meet fluctuations in workload; or
 (2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subparagraph, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending upon the initiative taken to use, lease, or dispose of such facilities (but see paragraphs 47.b. and d.).

c. The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided the capacity is reasonably anticipated to be necessary or was originally reasonable and is subject to reduction or elimination by subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be idle facilities.

17. *Independent research and development* [Reserved].

18. *Insurance and indemnification.*

a. Insurance includes insurance which the organization is required to carry, or which is approved, under the terms of the award and any other insurance which the organization maintains in connection with the general conduct of its operations. This paragraph does not apply to insurance which represents fringe benefits for employees (see paragraph 6, f. and 6, g.(2)).

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

(2) Costs of other insurance maintained by the organization in connection with the general conduct of its operations are allowable subject to the following limitations.

(a) Types and extent of coverage shall be in accordance with sound business practice and the rates and premiums shall be reasonable under the circumstances.

(b) Costs allowed for business interruption or other similar insurance shall be limited to

exclude coverage of management fees.

(c) Costs of insurance or of any provisions for a reserve covering the risk of loss or damage to Government property are allowable only to the extent that the organization is liable for such loss or damage.

(d) Provisions for a reserve under a self-insurance program are allowable to the extent that types of coverage, extent of coverage, rates, and premiums would have been allowed had insurance been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.

(e) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation (see paragraph 6). The cost of such insurance when the organization is identified as the beneficiary is unallowable.

(3) Actual losses which could have been covered by permissible insurance (through the purchase of insurance or a self-insurance program) are unallowable unless expressly provided for in the award, except:

(a) Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound business practice are allowable.

(b) Minor losses not covered by insurance, such as spoilage, breakage, and disappearance of supplies, which occur in the ordinary course of operations, are allowable.

(c) Indemnification includes securing the organization against liabilities to third persons and any other loss or damage, not compensated by insurance or otherwise. The Government is obligated to indemnify the organization only to the extent expressly provided in the award.

19. Interest, fund raising, and investment management costs.

(a) Costs incurred for interest on borrowed capital or temporary use of endowment funds, however represented, are unallowable.

(b) Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.

(c) Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.

(d) Fund raising and investment activities shall be allocated an appropriate share of indirect costs under the conditions described in paragraph B of Attachment A.

20. *Labor relations costs.* Costs incurred in maintaining satisfactory relations between the organization and its employees, including costs of labor management committees, employee publications, and other related activities are allowable.

21. *Losses on other awards.* Any excess of costs over income on any award is unallowable as a cost of any other award. This includes, but is not limited to, the organization's contributed portion by reason

of cost sharing agreements or any underrecoveries through negotiation of lump sums for, or ceilings on, indirect costs.

22. *Maintenance and repair cost.* Costs incurred for necessary maintenance, repair, or upkeep of buildings and equipment (including Government property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures (see paragraph 13).

23. *Materials and supplies.* The costs of materials and supplies necessary to carry out an award are allowable. Such costs should be charged at their actual prices after deducting all cash discounts, trade discounts, rebates, and allowances received by the organization. Withdrawals from general stores or stockrooms should be charged at cost under any recognized method of pricing consistently applied. Incoming transportation charges may be a proper part of material cost. Materials and supplies charged as a direct cost should include only the materials and supplies actually used for the performance of the contract or grant, and due credit should be given for any excess materials or supplies retained, or returned to vendors.

24. Meetings, conferences.

(a) Costs associated with the conduct of meetings, and conferences, and include the cost of renting facilities, meals, speakers' fees, and the like. But see paragraph 12, *Entertainment costs*, and paragraph 29, *Participant support costs*.

(b) To the extent that these costs are identifiable with a particular cost objective, they should be charged to that objective. (See paragraph B of Attachment A.) These costs are allowable provided that they meet the general tests of allowable, shown in Attachment A to this Circular.

(c) Costs of meetings and conferences held to conduct the general administration of the organization are allowable.

25. Memberships, subscriptions, and professional activity costs.

(a) Costs of the organization's membership in civic, business, technical and professional organizations are allowable.

(b) Costs of the organization's subscriptions to civic, business, professional, and technical periodicals are allowable.

(c) Costs of attendance at meetings and conferences, sponsored by others when the primary purpose is the dissemination of technical information, are allowable. This includes costs of meals, transportation, and other items incidental to such attendance.

26. *Organization costs.* Expenditures, such as incorporation fees, brokers' fees; fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of the organization, in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the awarding agency.

27. Overtime, extra-pay shift, and

multishift premiums. Premiums for overtime, extra-pay shifts, and multishift work are allowable only with the prior approval of the awarding agency except:

(a) When necessary to cope with emergencies, such as those resulting from accidents, natural disasters, breakdowns of equipment, or occasional operational bottlenecks of a sporadic nature.

(b) When employees are performing indirect functions such as administration, maintenance, or accounting.

(c) In the performance of tests, laboratory procedures, or other similar operations which are continuous in nature and cannot reasonably be interrupted or otherwise completed.

(d) When lower overall cost to the Government will result.

28. *Page charges in professional journals.* Page charges for professional journal publications are allowable as a necessary part of research costs, where:

(a) The research papers report work supported by the Government; and

(b) The charges are levied impartially on all research papers published by the journal, whether or not by Government-sponsored authors.

29. *Participant support costs.* Participant support costs are 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 meetings, conferences, symposia, or training projects. These costs are allowable with the prior approval of the awarding agency.

30. Patent costs.

(a) Costs of (i) preparing disclosures, reports, and other documents required by the award and of searching the art to the extent necessary to make such disclosures, (ii) preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Government to be conveyed to the Government, and (iii) general counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee agreements are allowable (but see paragraph 34).

(b) Cost of preparing disclosures, reports, and other documents and of searching the art to the extent necessary to make disclosures, if not required by the award, are unallowable. Costs in connection with (i) filing and prosecuting any foreign patent application, or (ii) any United States patent application, where the award does not require conveying title or a royalty free license to the Government, are unallowable (also see paragraph 43).

31. Pension plans.

See paragraph 6, g.

32. *Plant security costs.* Necessary expenses incurred to comply with Government security requirements or for facilities protection, including wages, uniforms, and equipment of personnel are allowable.

33. *Preaward costs.* Preaward costs are those incurred prior to the effective date of the award directly pursuant to the

negotiation and in anticipation of the award where such costs is necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency.

34. Professional service costs.

a. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the organization, are allowable, subject to b, c, and d, of this paragraph when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Government.

b. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required.

(2) The necessity of contracting for the service, considering the organization's capability in the particular area.

(3) The past pattern of such costs, particularly in the years prior to Government awards.

(4) The impact of Government awards on the organization's business (i.e., what new problems have arisen).

(5) Whether the proportion of Government work to the organization's total business is such as to influence the organization in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Government grants and contracts.

(6) Whether the service can be performed more economically by direct employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-Government awards.

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and terminal provisions).

c. In addition to the factors in paragraph b above, retainer fees to the allowable must be supported by evidence of bona fide services available or rendered.

d. Cost of legal, accounting, and consulting services, and related costs incurred in connection with defense of antitrust suits, and the prosecution of claims against the Government, are unallowable. Costs of legal, accounting and consulting services, and related costs, incurred in connection with patent infringement litigation, organization and reorganization, are unallowable unless otherwise provided for in the award (but see paragraph 47c).

35. Profits and losses on disposition of depreciable property or other capital assets.

a. (1) Gains and losses on sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to cost grouping(s) in which the depreciation applicable to such property was included. The amount of the

gain or loss to be included as a credit or charge to the appropriate cost grouping(s) shall be the difference between the amount realized on the property and the un depreciated basis of the property.

(2) Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions.

(a) The gain or loss is processed through a depreciation reserve account and is reflected in the depreciation allowable under paragraph 9.

(b) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.

(c) A loss results from the failure to maintain permissible insurance, except as otherwise provided in paragraph 18.a.(3).

(d) Compensation for the use of the property was provided through use allowances in lieu of depreciation in accordance with paragraph 9.

(e) Gains and losses arising from mass or extraordinary sales, retirements, or other dispositions shall be considered on a case-by-case basis.

b. Gains or losses of any nature arising from the sale or exchange of property other than the property covered in paragraph a. above shall be excluded in computing award costs.

36. Public information service costs.

a. Public information service costs include the cost associated with pamphlets, news releases, and other forms of information services. Such costs are normally incurred to:

(1) Inform or instruct individuals, groups, or the general public.

(2) Interest individuals or groups in participating in a service program of the organization.

(3) Disseminate the results of sponsored and non-sponsored activities.

b. Public information service costs are allowable as direct costs with the prior approval of the awarding agency. Such costs are unallowable as indirect costs.

37. Publication and printing costs.

a. Publication costs include the costs of printing (including the processes of composition, plate-making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling.

b. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the organization.

c. Publication and printing costs are unallowable as direct costs except with the prior approval of the awarding agency.

d. The cost of page charges in journals is addressed paragraph 20.

38. Rearrangement and alteration costs.

Costs incurred for ordinary or normal rearrangement and alteration of facilities are allowable. Special arrangement and alteration costs incurred specifically for the project are allowable with the prior approval of the awarding agency.

39. Reconversion costs. Costs incurred in the restoration or rehabilitation of the organization's facilities to approximately the

same condition existing immediately prior to commencement of Government awards, fair wear and tear excepted, are allowable.

40. Recruiting costs. The following recruiting costs are allowable: cost of "help wanted" advertising, operating costs of an employment office, costs of operating an educational testing program, travel expenses including food and lodging of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees (see paragraph 41c). Where the organization uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.

41. Relocation costs.

a. Relocation costs are costs incident to the permanent change of duty assignment for an indefinite period or for a stated period of not less than 12 months) of an existing employee or upon recruitment of a new employee. Relocation costs are allowable, subject to the limitation described in paragraphs b, c, and d, below, provided that:

(1) The move is for the benefit of the employer.

(2) Reimbursement to the employee is in accordance with an established written policy consistently followed by the employer.

(3) The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses.

b. Allowable relocation costs for current employees are limited to the following:

(1) The costs of transportation of the employee, members of his immediate family and his household, and personal effects to the new location.

(2) The costs of finding a new home, such as advance trips by employees and spouses to locate living quarters and temporary lodging during the transition period, up to a maximum period of 30 days, including advance trip time.

(3) Closing costs, such as brokerage, legal, and appraisal fees, incident to the disposition of the employee's former home. These costs, together with those described in (4) below, are limited to 8 per cent of the sales price of the employee's former home.

(4) The continuing costs of ownership of the vacant former home after the settlement or lease date of the employee's new permanent home, such as maintenance of buildings and grounds (exclusive of fixing up expenses), utilities, taxes, and property insurance.

(5) Other necessary and reasonable expenses normally incident to relocation, such as the costs of cancelling an unexpired lease, disconnecting and reinstalling household appliances, and purchasing insurance against loss of or damages to personal property. The cost of cancelling an unexpired lease is limited to three times the monthly rental.

c. Allowable relocation costs for new employees are limited to those described in (1) and (2) of paragraph b. above. When relocation costs incurred incident to the recruitment of new employees have been allowed either as a direct or indirect cost and the employee resigns for reasons within his

control within 12 months after hire, the organization shall refund or credit the Government for its share of the cost. However, the costs of travel to an overseas location shall be considered travel costs in accordance with paragraph 50 and not relocation costs for the purpose of this paragraph if dependents are not permitted at the location for any reason and the costs do not include costs of transporting household goods.

d. The following costs related to relocation are unallowable:

(1) Fees and other costs associated with acquiring a new home.

(2) A loss on the sale of a former home.

(3) Continuing mortgage principal and interest payments on a home being sold.

(4) Income taxes paid by an employee related to reimbursed relocation costs.

42. Rental costs.

a. Subject to the limitations described in paragraphs b. through d. of this paragraph, 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.

b. Rental costs under sale and leaseback arrangements are allowable only up to the amount that would be allowed had the organization continued to own the property.

c. Rental costs under less-than-length leases are allowable only up to the amount that would be allowed had title to the property vested in the 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. Such leases include, but are not limited to those between (i) divisions of an organization; (ii) organizations under common control through common officers, directors, or members; and (iii) an organization and a director, trustee, officer, or key employee of the organization or his immediate family either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest.

d. Rental costs under leases which create a material equity in the leased property are allowable only up to the amount that would be allowed had the organization purchased the property on the date the lease agreement was executed; e.g., depreciation or use allowances, maintenance, taxes, insurance but excluding interest expense and other unallowable costs. For this purpose, a material equity in the property exists if the lease is noncancelable or is cancelable only upon the occurrence of some remote contingency and has one or more of the following characteristics:

(1) The organization has the right to purchase the property for a price which at the beginning of the lease appears to be substantially less than the probable fair market value at the time it is permitted to purchase the property (commonly called a lease with a bargain purchase option);

(2) Title to the property passes to the organization at some time during or after the lease period;

(3) The term of the lease (initial term plus

periods covered by bargain renewal options, if any) is equal to 75 per cent or more of the economic life of the leased property; i.e., the period the property is expected to be economically usable by one or more users.

43. Royalties and other costs for use of patents and copyrights.

a. Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights therein necessary for the proper performance of the award are allowable unless:

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

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

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

(4) The patent or copyright is expired.

b. Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less than arm's length bargaining; e.g.:

(1) Royalties paid to persons, including corporations, affiliated with the organization.

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

(3) Royalties paid under an agreement entered into after an award is made to an organization.

c. In any case involving a patent or copyright formerly owned by the organization, the amount of royalty allowed should not exceed the cost which would have been allowed had the organization retained title thereto.

44. Severance pay.

a. Severance pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by organizations to workers whose employment is being terminated. Costs of severance pay are allowable only to the extent that in each case, it is required by (i) law, (ii) employer-employee agreement, (iii) established policy that constitutes, in effect, an implied agreement on the organization's part, or (iv) circumstances of the particular employment.

b. Costs of severance payments are divided into two categories as follows:

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

(2) Abnormal or mass severance pay is of such a conjectural nature that measurement of costs by means of an accrual will not achieve equity to both parties. Thus, accruals for this purpose are not allowable. However, the Government recognizes its obligation to participate to the extent of its fair share, in any specific payment. Thus, allowability will be considered on a case-by-case basis in the event of occurrence.

45. Specialized service facilities.

a. The costs of services provided by highly

complex or specialized facilities operated by the organization, such as electronic computers and wind tunnels, are allowable provided the charges for the services meet the conditions of either b. or c. of this paragraph and, in addition, take into account any items of income or Federal financing that qualify as applicable credits under paragraph A.5. of Attachment A.

b. The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that (i) does not discriminate against federally supported activities of the organization, including usage by the organization for internal purposes, and (ii) is designed to recover only the aggregate costs of the services. The costs of each service shall consist normally of both its direct costs and its allocable share of all indirect costs. Advance agreements pursuant to paragraph A.6. of Attachment A are particularly important in this situation.

c. Where the costs incurred for a service are not material, they may be allocated as Indirect costs.

46. Taxes.

a. In general, taxes which the organization is required to pay and which are paid or accrued in accordance with generally accepted accounting principles, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for (i) taxes from which exemptions are available to the organization directly or which are available to the organization based on an exemption afforded the Government and in the latter case when the awarding agency makes available the necessary exemption certificates, (ii) special assessments on land which represent capital improvements, and (iii) Federal income taxes.

b. Any refund of taxes, and any payment to the organization of interest thereon, which were allowed as award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the Government.

47. Termination costs. Termination of awards generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the award not been terminated. Cost principles covering these items are set forth below. They are to be used in conjunction with the other provisions of this Circular in termination situations.

a. Common items. The cost of items reasonably usable on the organization's other work shall not be allowable unless the organization submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the organization, the awarding agency should consider the organization's plans and orders for current and scheduled activity.

Contemporaneous purchases of common items by the organization shall be regarded as evidence that such items are reasonably usable on the organization's other work. Any acceptance of common items as allocable to the terminated portion of the award shall be limited to the extent that the quantities of

such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

b. *Costs continuing after termination.* If in a particular case, despite all reasonable efforts by the organization, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this Circular, except that any such costs continuing after termination due to the negligent or willful failure of the organization to discontinue such costs shall be unallowable.

c. *Loss of useful value.* Loss of useful value of special tooling, machinery and equipment which was not charged to the award as a capital expenditure is generally allowable if:

(1) Such special tooling, machinery, or equipment is not reasonably capable of use in the other work of the organization.

(2) The interest of the Government is protected by transfer of title or by other means deemed appropriate by the awarding agency.

d. *Rental costs.* Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated award less the residual value of such leases, if (i) the amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the award and such further period as may be reasonable, and (ii) the organization makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the award, and of reasonable restoration required by the provisions of the lease.

e. *Settlement expenses.* Settlement expenses including the following are generally allowable:

(1) Accounting, legal, clerical, and similar costs reasonably necessary for:

(a) The preparation and presentation to awarding agency of settlement claims and supporting data with respect to the terminated portion of the award, unless the termination is for default. (See paragraph 4.a. of Attachment L, OMB Circular No. A-110; and

(b) The termination and settlement of subawards.

(2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Government or acquired or produced for the award; except when grantees are reimbursed for disposals at a predetermined amount in accordance with Attachment N of OMB Circular A-110.

(3) Indirect costs related to salaries and wages incurred as settlement expenses in subparagraphs (1) and (2) of this paragraph. Normally, such indirect costs shall be limited to fringe benefits, occupancy cost, and immediate supervision.

f. *Claims under subawards.* Claims under subawards, including the allocable portion of claims which are common to the award, and to other work of the organization are generally allowable. An appropriate share of

the organization's indirect expense may be allocated to the amount of settlements with subcontractor/subgrantees; provided that the amount allocated is otherwise consistent with the basic guidelines contained in Attachment A. The indirect expense so allocated shall exclude the same and similar costs claimed directly or indirectly as settlement expenses.

48. *Training and education costs.*

a. Costs of preparation and maintenance of a program of instruction including but not limited to on-the-job, classroom, and apprenticeship training, designed to increase the vocational effectiveness of employees, including training materials, textbooks, salaries or wages of trainees (excluding overtime compensation which might arise therefrom), and (i) salaries of the director of training and staff when the training program is conducted by the organization; or (ii) tuition and fees when the training is in an institution not operated by the organization, are allowable.

b. Costs of part-time education, at an undergraduate or postgraduate college level, including that provided at the organization's own facilities, are allowable only when the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work, and are limited to:

(1) Training materials.

(2) Textbooks.

(3) Fees charged by the educational institution.

(4) Tuition charged by the educational institution, or in lieu of tuition, instructors' salaries and the related share of indirect costs of the educational institution to the extent that the sum thereof is not in excess of the tuition which would have been paid to the participating educational institution.

(5) Salaries and related costs of instructors who are employees of the organization.

(6) Straight-time compensation of each employee for time spent attending classes during working hours not in excess of 150 hours per year and only to the extent that circumstances do not permit the operation of classes or attendance at classes after regular working hours; otherwise such compensation is unallowable.

c. Costs of tuition, fees, training materials, and textbooks (but not subsistence, salary, or any other emoluments) in connection with full-time education, including that provided at the organization's own facilities, at a postgraduate (but not undergraduate) college level, are allowable only when the course or degree pursued is related to the field in which the employee is now working or may reasonably be expected to work, and only where the costs receive the prior approval of the awarding agency. Such costs are limited to the costs attributable to a total period not to exceed one school year for each employee so trained. In unusual cases the period may be extended.

d. Costs of attendance of up to 16 weeks per employee per year at specialized programs specifically designed to enhance the effectiveness of executives or managers or to prepare employees for such positions are allowable. Such costs include enrollment

fees, training materials, textbooks and related charges, employees' salaries, subsistence, and travel. Costs allowable under this paragraph do not include those for courses that are part of a degree-oriented curriculum, which are allowable only to the extent set forth in b. and c. above.

e. Maintenance expense, and normal depreciation or fair rental, on facilities owned or leased by the organization for training purposes are allowable to the extent set forth in paragraphs 9, 22, and 42.

f. Contributions or donations to educational or training institutions, including the donation of facilities or other properties, and scholarships or fellowships, are unallowable.

g. Training and education costs in excess of those otherwise allowable under paragraphs b. and c. of this paragraph may be allowed with prior approval of the awarding agency. To be considered for approval, the organization must demonstrate that such costs are consistently incurred pursuant to an established training and education program, and that the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work.

49. *Transportation costs.* Transportation costs include freight, express, cartage, and postage charges relating either to goods purchased, in process, or delivered. These costs are allowable. When such costs can readily be identified with the items involved, they may be directly charged as transportation costs or added to the cost of such items (see paragraph 27). Where identification with the materials received cannot readily be made, transportation costs may be charged to the appropriate indirect cost accounts if the organization follows a consistent, equitable procedure in this respect.

50. *Travel costs.*

a. 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 organization. Travel costs are allowable subject to paragraphs b. through e. below, when they are directly attributable to specific work under an award or are incurred in the normal course of administration of the organization.

b. Such costs may be charged on an actual basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used results in charges consistent with those normally allowed by the organization in its regular operations.

c. The difference in cost between first-class air accommodations and less than first-class air accommodations is unallowable except when less than first-class air accommodations are not reasonably available to meet necessary mission requirements, such as where less than first-class accommodations would (i) require circuitous routing, (ii) require travel during unreasonable hours, (iii) greatly increase the duration of the flight, (iv) result in additional costs which would offset the transportation savings, or (v) offer accommodations which

are not reasonably adequate for the medical needs of the traveler.

d. Necessary and reasonable costs of family movements and personnel movements of a special or mass nature are allowable, pursuant to paragraphs 40 and 41, subject to allocation on the basis of work or time period benefited when appropriate. Advance agreements are particularly important.

e. Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip must be approved. For purposes of this provision, foreign travel is defined as any travel outside of Canada and the United States and its territories and possessions. However, for an organization located in foreign countries, the term "foreign travel" means travel outside that country.

[Circular No. A-122]

Attachment C

Nonprofit Organizations not Subject to this Circular

Aerospace Corporation, El Segundo, California
 Argonne Universities Association, Chicago, Illinois
 Associated Universities, Incorporated, Washington, D.C.
 Associated Universities for Research and Astronomy, Tucson, Arizona
 Atomic Casualty Commission, Washington, D.C.
 Battelle Memorial Institute, Headquartered in Columbus, Ohio
 Brookhaven National Laboratory, Upton, New York
 Center for Energy and Environmental Research (CEER), (University of Puerto Rico)
 Commonwealth of Puerto Rico, Charles Stark Draper Laboratory, Incorporated Cambridge, Massachusetts, Comparative Animal Research Laboratory (CARL) (University of Tennessee), Oakridge, Tennessee
 Environmental Institute of Michigan, Ann Arbor, Michigan
 Hanford Environmental Health Foundation, Richland, Washington
 IIT Research Institute, Chicago, Illinois
 Institute for Defense Analysis, Arlington, Virginia
 Institute of Gas Technology, Chicago, Illinois
 Midwest Research Institute, Headquartered in Kansas City, Missouri
 Mitre Corporation, Bedford, Massachusetts
 Montana Energy Research and Development Institute, Inc. (MERDI), Butte, Montana
 National Radiological Astronomy Observatory, Green Bank, West Virginia
 Oakridge Associated Universities, Oakridge, Tennessee
 Project Management Corporation, Oakridge, Tennessee
 Rand Corporation, Santa Monica, California
 Research Triangle Institute, Research Triangle Park, North Carolina
 Riverside Research Institute, New York, New York
 Sandia Corporation, Albuquerque, New Mexico

Southern Research Institute, Birmingham, Alabama
 Southwest Research Institute, San Antonio, Texas
 SRI International, Menlo Park, California
 Syracuse Research Corporation, Syracuse, New York
 Universities Research Association, Incorporated (National Acceleration Lab), Argonne, Illinois
 Universities Corporation for Atmospheric Research, Boulder, Colorado
 Nonprofit Insurance Companies such as Blue Cross and Blue Shield Organizations
 Other nonprofit organizations as negotiated with awarding agencies.

[FR Doc. 80-20270 Filed 7-7-80; 8:45 am]

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Editorial Corrections to OMB A-122

OFFICE OF MANAGEMENT AND BUDGET

Circular A-122, "Cost Principles for Nonprofit Organizations"; Correction

AGENCY: Office of Management and Budget.

ACTION: Final policy correction.

SUMMARY: This notice corrects errors in the printing of cost principles for nonprofit organizations. (45 FR 46022, July 8, 1980).

FOR FURTHER INFORMATION CONTACT: Palmer Marcantonio, Financial Management Branch, Office of Management and Budget, Washington, D.C. 20503, (202) 395-4773.

• Page 46022, column 2 the second Paragraph 1, change Paragraph 5 "Compensation for Personnel Services" to Paragraph 6.

• Page 46022, column 2 the second Paragraph 2, change Paragraph 6 "Contingencies" to Paragraph 7.

• Page 46022, column 3: Paragraph 4, change Paragraph 31, "Equipment and Other Capital Expenditures" to Paragraph 13.

• Paragraph 5, change Paragraph 26 "Meetings" to Paragraph 24.

• Paragraph 6, change Paragraph 27, "Organization Costs" to Paragraph 20.

• Paragraph 7, change Paragraph 30 "Page charges in Professional Journals" to Paragraph 26.

• Paragraph 8, change paragraph 37 "Public Information Service Costs" to Paragraph 36.

• Paragraph 9, change Paragraph 43 "Rental Costs" to Paragraph 42.

• Paragraph 9a: in the fourth line, add "up"; between the words "only" and "to"; in the sixth line change "they" to "it".

• Paragraph 10, change Paragraph 51 "Travel Costs" to Paragraph 50.

• Page 46024, column 3 Paragraph 4(a)(2) after "benefits received" add "; or".

• Page 46025, column 1 Paragraph B3, change the reference "Paragraph 21 of Attachment B" to "Paragraph 19 of Attachment B."

• Page 46026, column 1 Paragraph 4a.iii, in the sixth line, change "direct cost" to "direct costs."

• Page 46026, column 2 Paragraph E1e, change "establishment of a rate" to "establishment of a final rate."

• Page 46026, column 3 Paragraph E2b, in the third line add the following after "a Federal agency shall"—"submit its initial indirect cost proposal immediately."

• Page 46027, column 3 Paragraph (3)(a), change "workmen's compensation" to "workers' compensation."

• Page 46028, column 1 Paragraph 6f3(b), (the second line of column 1) change "Workmen's compensation" to "workers' compensation."

• Page 46030, column 3, paragraph 24b., the sixth line, change "allowable" to "allowability".

Daniel F. Mann,

Budget and Management Officer.

[FR Doc. 81-8073 Filed 3-18-81; 8:45 am]

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Circular A-122, "Cost Principles for Nonprofit Organizations"

Correction

In FR Doc. 81-20270, appearing at page 46022 in the issue of Tuesday, July 8, 1980, the following changes should be made:

1. On page 46024, column three, the second sentence in paragraph A.5.b. should read, "Specifically, the concept of netting such credit items against related expenditures should be applied by the organization in determining the rates or amounts to be charged to Federal awards for services rendered whenever the facilities or other resources used in providing such services have been financed directly, in whole or in part, by Federal funds."

2. On page 46024, column three, the second complete sentence in paragraph A.6. should read, "This is particularly true in connection with organizations that receive a preponderance of their support from Federal agencies."

3. On page 46025, column one, paragraph B.2. should read, "2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied to all final cost objectives."

4. On page 46025, column one, paragraph B.4.f. should read, "f. Administration of group benefits on behalf of members or clients including life and hospital insurance, annuity or retirement plans, financial aid, etc."

5. On page 46025, column two, the first sentence in paragraph D.1.e. should read, "The base period for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to work performed in that period."

6. On page 46026, column one, the second sentence in paragraph D.3.d should read, "The costs in the common pool shall then be distributed to individual awards included in that function by use of a single indirect cost rate."

7. On page 46026, column one, the first sentence in paragraph D.3.e. should read, "The distribution based used in computing the indirect cost rate for each function may be total direct costs (excluding capital expenditures and other distorting items such as major subcontracts and subgrants), direct salaries and wages, or other base which results in an equitable distribution."

8. On page 46026, column one, the first and second sentences in paragraph D.4.a. should read, "Some nonprofit organizations treat all costs as direct costs except general administration and general expenses. These organizations generally separate their costs into three basic categories: * * *."

9. On page 46026, the last sentence in column one (extending to column two), in paragraph D.5. should read, "The factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the scientific disciplines or technical skills involved, the organizational arrangements used, or any combination thereof."

10. On page 46026, column three, paragraph E.2.i. should read, "i. To the extent that problems are encountered among the Federal agencies in connection with the negotiation and approval process, the Office of Management and Budget will lend assistance as required to resolve such problems in a timely manner."

11. On page 46030, column one, the introductory text of paragraph 16.b. and paragraph 16.b.(1) should read, "b. The costs of idle facilities are unallowable except to the extent that: (1) They are necessary to meet fluctuations in workload; or".

12. On page 46030, column one, the second sentence in paragraph 16.c.

should read, "Such costs are allowable, provided the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by subletting, renting, or sale, in accordance with sound business, economics or security practices."

13. On page 46031, second column, paragraph 34.c. should read, "In addition to the factors in paragraph b. above, retainer fees to be allowable must be supported by evidence of bona fide services available or rendered."

BILLING CODE 1505-01-M

Certification of a Non-Profit Corporation's ability to administer grants and/or contracts from the State of Alaska.

- A. All organizations submitting applications for State funding under the provisions in this chapter shall establish a Certification of Eligibility for Funding with the Department of Administration. The original certification information shall be submitted to the Department of Administration when the letter of intent (see section .040 of this chapter) is sent to the funding department.
- B. The certification information shall include the following:
 - 1) The corporation's Articles of Incorporation as filed with the State Department of Commerce;
 - 2) The corporation's by-laws;
 - 3) A copy of the IRS tax-status determination letter;
 - 4) A copy of the current Personnel Policies and Procedures;
 - 5) A letter from an independent CPA certifying that the corporation's accounting system provides adequate internal controls to allow reasonable assurance as to the safeguarding of assets and the reliability of financial records for preparing financial statements and maintaining accountability for assets;
 - 6) Proof of adequate liability and bonding insurance;
 - 7) A list of key management personnel including the contact person for any questions on the certification of information.
- C. This certification is to be reviewed and renewed annually by the Department of Administration upon submission by the corporation of one of the following:
 - 1) A statement that nothing has occurred to materially change the previously submitted information.
 - 2) A statement (with appropriate documentation) indicating what changes have occurred since the prior certification.
- D. This Certification process is to be performed annually through the Department of Administration and is intended to be in lieu of similar requests and certification on the part of individual departments. Any verification or certification related strictly to programmatic areas shall continue to be part of the application process as defined in this chapter.