PURPOSE/POLICY

Mid-Michigan District Health Department makes every effort to determine that costs are reasonable, allowable and allocated in a consistent manner across all programs within the agency. All costs must be in accordance with the requirements of Uniform Grant Guidance 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Generally Accepted Accounting Principles (GAAP), the approved grant agreement and any other applicable laws, regulations, rules and guidelines. Costs unallowable in programs will not be spread to programs through indirect distribution. The purpose of this policy is to provide information about the identifying allowable/unallowable costs and the allocation of these costs.

All costs expended using federal funds must meet the following general criteria:

- Be necessary and reasonable for the proper and efficient performance and administration of the grant program.
- Be allocable to federal awards under the provisions of the federal circular.
- Be authorized and not prohibited under state or local laws or regulations.
- Conform to any limitations or exclusions set forth in the principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the agency.
- Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost and also be charged to a federal award as an indirect cost.
- Except as otherwise provided for in the federal circular, be determined in accordance with generally accepted accounting principles.
- Not included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period.
- Be net of all applicable credits.
- Be adequately documented.
- The cost guidelines of the Title 2 CFR Part 200, “Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards,” must be considered any time federal award funds are to be expended.

Unallowable costs fall into two categories, those costs unallowable in and of themselves such as entertainment or lobbying, and costs related to activities that are unallowable such as public...
relations. It is important that all unallowable costs be recorded in a manner that makes them identifiable. It is important that financial staff identify costs as allowable or unallowable and record accordingly.

All costs are properly allocable to the specific programs on a basis of a beneficial causal relationship between the expenses incurred in the program to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

*Mid-Michigan District Health Department allocates allowable costs as follows:*

**Salaries & Fringes:** Costs are distributed based on the actual amount of time each employee spends in each program for which they work. Pay for leaves (vacation, sick, holiday etc.) is allocated in the based on the percentage of time worked in the program during the pay period in which the leave is taken. If there is not service time in the pay period (i.e. the whole pay period is leave time), the pay would be distributed based on the last pay period in which there was service time.

**Supplies and Materials:**

Supplies can be allocated in three ways:

1) Items purchased that directly benefit specific program(s) identified by the employee will be directly expensed to the program(s).
2) Items purchased for a single employee that are not identifiable to one program will be allocated based on the percentage of time worked in each program during the current pay period in which the item was purchased.
3) Items purchased that benefit multiple employees without an identifiable program will be purchased in the division overhead and distributed as indirect (i.e. printer that will be utilized in a main area in the division).

**Travel:** Travel costs are charged directly to the program for which the travel was incurred. If there is not an identifiable program(s) that will benefit from the travel, the costs will be allocated based on the percentage of time the employee worked in each program in the current period.

**Communications:** Costs are distributed based on the percentage of time staff worked in each program in the same period as the payment.

**Space Costs:** Distributed based on the square footage used by the FTE and the percentage of time they worked in each program. Common area square footage is distributed as indirect.
All Others: (Translation services, miscellaneous services, insurances, dues, etc.). Costs are charged directly to the program for which the service occurred. If there is not an identifiable program(s) that will benefit from the cost, it will be allocated based on the percentage of time that the employee worked in each program in the current period or will be in the correct administration category and spread through indirect.

Equipment: Unless more restrictive by the granting agency, equipment is defined as an having an acquisition cost in excess of $5,000 must receive prior approval from the granting agency. In addition, real property (real property is defined as land, land improvements, structures and appurtenances excluding moveable machinery and equipment) must have prior approval from the granting agency. The agency will follow the capital asset policy as well.

Indirect costs: Distributed across all programs based on the percentage of salaries and fringes of staff in each program.

Failure to adequately follow this policy and related procedures could result in questioned costs, audit findings, potential repayment of disallowed costs and discontinuance of funding.