

Office of Grants and Debarment (OGD) Guidance on Selected Items of Cost for Recipients

Summary: This guidance document provides recipients and applicants an understanding of how EPA determines allowability of the following items of cost.

1. [Advertising and public relations.](#)
2. [Advisory Councils.](#)
3. [Entertainment.](#)
4. [Fund raising.](#)
5. [Meals and light refreshments at conferences.](#)
6. [Proposal costs.](#)

Overview. The implementation of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Grants Guidance or UGG) of 2 CFR 200, or (in the case of meals and light refreshments) EPA policy changes, revised the standards for allowability for these six items of cost. For the purposes of this guidance, the acronym “AEO” refers to an EPA official with authority to provide approval for recipients to incur the items of cost covered by this guidance. AEOs are either EPA Award Officials or Grants Management Officers. Approval may be provided at time of award when a recipient’s work plan and budget narrative explicitly states that the recipient will incur costs for items described in this guidance or after award in response to a written request by the recipient for AEO approval.

Guidance on the Allowability of Selected Items of Cost.

1. **Advertising and public relations.** Under 2 CFR 200.421, advertising and public relations costs a recipient incurs to promote the image of the organization itself as opposed to informing the public about an EPA funded project are generally unallowable but AEOs may authorize recipients to charge these types of costs to an EPA award as provided in c.- g. in the guidance below.

- a. Advertising. As provided at 2 CFR 200.421(a), advertising includes “. . . the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.”
- b. Public Relations. As provided at 2 CFR 200.421(c), public relations “. . . includes community relations and means those activities dedicated to maintaining the image of the non-Federal entity or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.”
- c. Advertising costs for personnel recruitment, competitive procurements and disposal of scrap material are allowable under the regulation 2 CFR 200.421(b), provided the costs are allocable under the EPA approved work plan and budget as provided at 2 CFR 200.405.
- d. Public relations costs necessary to communicate with the public and news media regarding activities or accomplishments that result from performing the EPA funded project as well as notices of opportunities for subaward funding, other matters of public concern (e.g. sampling results), and financial aspects of the EPA award are allowable.
- e. Advertising or public relations for outreach activities that inform the public or a segment of the public (e.g. regulated entities and community groups) of the availability training, technical assistance, environmental education and similar programs for encouraging responsible environmental stewardship are allowable to the extent necessary to carry out the EPA approved scope of work. These costs may include expenses for displays, booths and posters at conferences.
- f. EPA funds may not be used to purchase clothing with the exception of “special clothing” for identification of recipient personnel performing emergency response work or other field work where personnel need jackets, hats, shirts or similar items of clothing for safety or security purposes. Special clothing remains the property of the recipient rather than the employee. AEOs may also approve as participant support costs the use of EPA funds to purchase t-shirts and similar inexpensive items of apparel (e.g. baseball caps) that are necessary to identify participants in community cleanups, recycling events, sampling projects, environmental education programs, environmental justice outreach, and similar statutorily authorized activities described in the EPA approved scope of work.
- g. Other advertising and public relations costs are allowable only if an AEO determines that the costs are required by the terms of the EPA award. EPA policy precludes AEOs from approving of the use of EPA funds for hospitality suites,

memorabilia, gifts, and souvenirs. AEOs may approve the use of EPA funds for certain inexpensive outreach tools.

2. **Advisory councils.** As provided at 2 CFR 200.422, costs for Advisory Councils are unallowable unless authorized by “. . . statute, the Federal awarding agency or as an indirect cost where allocable to Federal awards.” EPA interprets the term “advisory council” to include groups of individuals who are not employees of the recipient that provide strategic and policy advice to the organization.
 - a. Costs for advisory councils that are integrated into the recipient’s ongoing operations to provide advice on the overall direction of the organization should be classified as indirect costs since these activities benefit the recipient organization generally.
 - b. If a recipient establishes an advisory council that provides advice solely on an EPA funded activity such as a training program or research project, the costs may be allocable to the EPA agreement and charged directly to the EPA award with AEO prior approval. The scope of work and related budget narrative must describe the advisory council’s membership, functions, and costs and explain why the advisory council is necessary to carry out the EPA funded project.
 - c. Allowable direct advisory council costs include reasonable stipends and travel support for council members while providing advice on the EPA funded project. Stipends that are structured as “retainer fees” that do not compensate the council member for actual work on an EPA funded project are not allowable as direct costs. Costs for meals and light refreshments for advisory council meetings are subject to the allowability criteria in Section 3, Entertainment and Section 5, Meals and light refreshments at conferences, of this guidance document.
3. **Entertainment.** As provided at 2 CFR 200.438, entertainment includes amusement, diversion, and social activities. The regulation provides that entertainment costs are unallowable “. . . except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.”
 - a. EPA considers costs for evening receptions and banquets as entertainment. EPA policy precludes AEOs from approving costs for meals, light refreshments, and space rental for any portion of these events where alcohol is served, purchased, or otherwise available as part of the event, even if EPA funds are not used to purchase the alcohol and the recipient identifies a programmatic purpose for the event.
 - b. AEOs may approve reasonable entertainment costs for activities necessary to carry out environmental education programs and outreach projects that have clearly defined programmatic purposes. Examples of allowable entertainment

costs include films, videos and other forms of audio visual communication that promote environmental protection. Costs for artistic performances may be allowable in limited circumstances such as a traditional tribal ceremony highlighting environmental stewardship to open or close a conference or a puppet show with environmental education content for children.

4. **Fund raising.** Under 2 CFR 200.442:

Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable. Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency.

- a. Program Offices may issue guidance specifying criteria for the allowability of fund raising costs provided that the criteria ensures that funds raised by recipients will be used to directly further the statutory objectives of the financial assistance program. AEO's may also allow fund raising costs to be charged to EPA assistance agreements on a case-by-case basis upon the recommendation of Project Officers only if the funds raised will directly further the statutory objectives of the financial assistance program.
- b. Funds a recipient raises with costs borne by an EPA financial assistance agreement are considered program income under 2 CFR 200.80 and 200.307. As provided at 2 CFR 1500.7(b), program income must be added to direct EPA funding and used under the purposes and conditions of the award unless the terms of the assistance agreement provide for a different disposition (i.e. to meet a cost share requirement) of program income.
- c. When fundraising is financed by both EPA financial assistance and other sources, the terms of the EPA agreement should specify a method for calculating program income (typically a percentage of funds raised) that reflects the extent of EPA financing. This is consistent with 2 CFR 200.307(b) which provides that “. . . costs incidental to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the Federal award.”
- d. In response to requests from recipients or private funding sources, EPA employees may provide factual and public information (i.e., amount, purpose, duration) regarding or describing EPA assistance agreements. Under no circumstances may EPA employees assist recipients in any fundraising efforts activities. For example, EPA employees may not identify or correspond with potential sources of private funding (e.g. foundations, corporations, individual philanthropists) to urge favorable consideration of a recipient's application for

funding, and cannot participate in any fundraising related meetings or other such activity with such sources.

5. **Meals and light refreshments at conferences.** As provided at 2 CFR 200.432, conferences include “a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award.” For the purpose of this guidance, the term includes training for individuals who are not recipient employees, community meetings, design charrettes, and similar activities described in the EPA approved work plan and/or budget narrative.

a. Under 2 CFR 200.432, meals and refreshments are allowable conference costs unless “. . . restricted by the terms and conditions of the [EPA] award.” [EPA’s General Terms and Conditions](#) contain restrictions on the allowability of the costs for meals and light refreshments at conferences.

b. POs make initial determinations regarding the allowability of costs for meals and light refreshments on a case-by-case basis considering reasonableness and necessity under the standards described below. AEOs make the final decision on cost allowability when he or she approves the scope of work describing the conference and the budget narrative specifying the amount of funding for the event. However, an AEO’s approval of the budget for an agreement based on a general description of a conference does not make costs for unallowable items such as alcoholic beverages or an evening reception or banquet where alcohol is present allowable.

(1) **Eligibility Determination.** To be eligible for funding under assistance agreements, the light refreshment and meal costs must not be prohibited by statute, regulation, appropriation, program guidance or this guidance document. This includes program guidance contained in an assistance agreement solicitation announcement or the terms of the assistance agreement.

(2) **Purpose Determination.** The purpose of the conference must be to:

- (a) Disseminate environmental information related to EPA approved scope of work;
- (b) Provide environmental or public health education related to EPA approved scope of work;
- (c) Discuss environmental science, policy, or programs related to EPA approved scope of work;

- (d) Conduct outreach to the public on environmental concerns or issues related to EPA approved scope of work;
- (e) Obtain community involvement in an activity described by the EPA approved scope of work; or,
- (f) Carry out an activity that is otherwise necessary for the recipient to achieve the objectives of the EPA approved scope of work.

At least one condition described above must be met for a purpose determination.

- (3) **Time Determination.** The length or timing of the event must be such that light refreshments or meals are necessary for the effective and efficient achievement of its purpose.
- (4) **Reasonableness determination.** The costs for light refreshments and meals must be identified in the budget narrative in order to determine the reasonableness for costs on a per event basis. Recipients must demonstrate that the costs for light refreshments and meals are reasonable given such factors as the purpose of the event and costs for similar publicly funded business events at the facility. If recipients cannot establish that the costs for meals and light refreshment represent prudent expenditures of public funds, the costs are unallowable.
- (5) **Unallowable Light Refreshment and Meal Costs.**
 - (a) Costs for light refreshments and meals for recipient staff meetings and similar day-to-day activities are not allowable under EPA assistance agreements.
 - (b) EPA policy prohibits the use of EPA funds for meals and light refreshments at evening receptions, banquets and similar activities that unless the recipient has provided a justification that has been expressly approved by the AEO. An example of an activity where EPA funds may be used for meals or light refreshment is an evening working meeting as defined below.
 - (c) EPA funding for meals, light refreshments, and space rental may not be used for any portion of any conference event including receptions, banquets and working meetings where alcohol is served, purchased, or otherwise available as part of the event or meeting, even if EPA funds are not used to purchase the alcohol.

c. Definitions.

- (1) **Evening Receptions or banquets.** Events that take place at conferences after normal business hours primarily for networking, celebrations and other social purposes.
- (2) **Light refreshments.** U.S. General Services Administration regulations define “light refreshments” for morning, afternoon or evening breaks to include, but not be limited to, coffee, tea, milk, juice, soft drinks, donuts, bagels, fruit, pretzels, cookies, chips, or muffins. (41 CFR 301-74.71).
- (3) **Meals.** The term “meals” refers to food served during traditional times for breakfast, lunch and dinner and includes food served by wait staff to seated individuals as well as self-serve buffets, and continental breakfasts.
- (4) **Evening working meetings.** Evening events in which small groups discuss technical subjects on the basis of a structured agenda or there are presentations being conducted by experts.

6. **Proposal costs.** As provided at 2 CFR 200.460 proposal costs include “. . . the costs of preparing bids, proposals, or applications on potential Federal and non-Federal awards or projects, including the development of data necessary to support the non-Federal entity's bids or proposals.” The term may include costs for preparing bids and proposals for funding from other Federal agencies, state or local governments, and private foundations.

- a. Under 2 CFR 200.460, proposal costs for both successful and unsuccessful proposals incurred during the current accounting period are “normally” treated as indirect costs. This represents a change in Federal financial assistance policy under the UGG as the allowability of proposal costs previously varied by recipient type.
- b. Program Offices may issue guidance establishing criteria for abnormal situations in which EPA will allow proposal costs to be charged directly to EPA assistance agreements. The criteria must ensure that direct costs for proposal preparation support the achievement of the specific statutory environmental protection objectives of the financial assistance program.

- c. The relationship EPA has with states, tribes, territories, local governments and intertribal consortia under statutes authorizing Performance Partnership Grants (PPGs), Continuing Environmental Program (CEP) grants, Indian Environmental General Assistance Program (GAP) grants, and Clean Water and Drinking Water State Revolving Fund (CWSRF) capitalization grants subject to 40 CFR Part 35, Subparts A, B, K, and L, warrants allowing these recipients to directly charge reasonable proposal preparation costs for these agreements. Recipients of these assistance agreements work closely with EPA to develop detailed, complex funding proposals that require significant investments of state, tribal, territorial, local government and consortia resources to prepare effectively.

For the purposes of this policy, “proposal costs” do not include the work required by a tribal government recipient to prepare a program authorization or delegation package for submission to EPA unless it is a required component of an application for an assistance agreement. Otherwise, costs for preparing program authorization or delegation packages are not subject to the limitations on proposal preparation costs described in this policy.

- (1) Proposal preparation costs must be necessary, reasonable, adequately documented, and allocable to the assistance agreement the recipient charges.
 - (a) To be necessary, reasonable and allocable, the proposal preparation costs must only be for the assistance agreement under development, with the exception of financial assistance awards authorized under GAP grants as described in paragraph 6, below. All proposal preparation costs must be clearly identified in the budget narrative or scope of work. Recipients may, however, directly charge to an existing agreement, proposal preparation costs for a future agreement within the same grant project or program. For example, a recipient of a multi-year continuing environmental program grant may directly charge to that agreement, costs incurred in the final year for developing the work plan that will be included with the recipient’s proposal for the next multi-year agreement.
 - (b) Costs for preparing proposals for other Federal awards or for non-Federal funding may not be charged directly to the assistance agreement with the exception of financial assistance awards authorized under GAP grants as described in paragraph 6, below.
 - (c) Proposal preparation costs must bear a reasonable relationship to the total budget and in not exceed 5% of the total budget (which includes both EPA’s share and any cost share/match by the recipient) for the agreement to meet the reasonableness requirement. EPA may provide an exception to this limitation based on

extraordinary circumstances. Recipients should contact the project officer for their assistance agreement to request a waiver.

(2) Recipients must obtain prior approval for direct charges for proposal preparation costs from an AEO. This approval may be granted by awarding an assistance agreement that has direct costs for proposal preparation in the budget or by another appropriately documented method. Consistent with 40 CFR 35.135 and 40 CFR 35.535 the proposal costs for PPGs must be an eligible activity under at least one of the environmental programs included in the PPG.

(3) In order to qualify for direct charging of proposal costs the recipient must provide EPA with assurance that, as required by 2 CFR 200.412, the base for its indirect cost rate calculations does not include the same costs that will be charged directly to EPA agreements for proposal preparation costs. This assurance should be based on the composition of the recipient's indirect cost pool. For example, if a recipient only includes the time accounting personnel and legal staff spend reviewing proposals for federal funding in the indirect cost pool, time program personnel spend preparing proposals may be charged directly to EPA grants. Recipients that include all proposal preparation costs regardless of their staff's role in preparing proposals may not charge proposal preparation costs directly. Recipients should make and document determinations that proposal preparation costs are being treated consistently in like circumstances for affected EPA grants to ensure compliance with 2 CFR 200.412.

Additionally, as required by 2 CFR 200.460 recipients must provide EPA with assurance that "[N]o proposal costs of past accounting periods will be allocable to the current period." Recipients may provide both assurances with the application for the award which includes direct charges for proposal preparation costs with the understanding that the recipient will inform EPA if circumstances change. No further assurances are necessary throughout the term of the agreement. An example of an acceptable assurance statement is as follows:

The budget for (Name of Recipient) application for EPA funding includes direct costs for preparing its proposal for this or future awards in an amount that does not exceed 5% of the total budget. (Name of recipient) does not include the same costs in its indirect cost pool as that term is defined in 2 CFR Part 200, Appendix VII, Item B. 6. Additionally, no direct costs for preparing proposals for Federal awards have been allocated to the current accounting period as required by 2 CFR 200.460.

(4) Any proposal preparation costs incurred prior to award must comply with the requirements for pre-award costs at 2 CFR 200.458 in order to qualify for direct charging. If the proposal preparation costs are incurred prior to award, the budget and project period for the agreement must include the period of time that the recipient incurred the proposal preparation costs. As provided at 2 CFR 1500.8 recipients must obtain prior EPA approval before charging proposal preparation costs that were incurred more than 90 days prior to award. As with all pre-award costs, the recipient incurs proposal preparation costs at its own risk.

(5) EPA will also consider authorizing governmental recipients to directly charge proposal preparation costs to Superfund Cooperative Agreements in the context of requests for exceptions to the prohibition in 40 CFR 35.6275(b) on pre-award costs. The recipient must demonstrate that the proposal preparation costs meet the qualifications described above.

(6) Directly charging proposal preparation costs is allowable under GAP, pursuant to the provisions of paragraphs c. (1)-(4), when a tribal government or intertribal consortia is seeking GAP funding or using GAP funds to apply for one or more of the other EPA financial assistance programs listed in 40 CFR Part 35, Subpart B.

(a) Directly charging proposal preparation costs is also allowable under GAP when a tribal government recipient or intertribal consortium is seeking funding from other EPA programs, other Federal agencies, state or local governments, and private foundations, when these proposal preparation activities are allowable, allocable, necessary, and reasonable for achieving statutory goals under the GAP Act and implementing regulations and guidance. AEOs will generally make proposal preparation cost determinations on a case-by-case basis. To promote national consistency, EPA may make national allowability determinations regarding the direct charging of proposal preparation costs from specific funding sources for authorized officials to follow.

(b) Where an intertribal consortium provides technical assistance to a member tribe for the tribe's development of grant proposals, the associated consortia costs are not considered "proposal costs" for purposes of the UGG. Costs consortia incur for providing technical assistance to member tribes are allowable if reasonable, allocable, necessary and otherwise in compliance with 2 CFR Part 200, guidance and the terms and conditions of the consortium's assistance agreement.

(c) Tribes must classify proposal preparation costs under GAP grants consistently as direct or indirect as required by 2 CFR 200.412.