ALLOWABLE COST POLICY MANUAL

2017 Revision

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Division of Management Services
Bureau of Finance
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While this revision rescinds the June 2012 version of the Allowable Cost Manual, it should be noted that the deletion of program-specific guidance does not necessarily indicate a policy change. Local partner agencies with which the Department contracts should consult the terms of their contracts, associated appendices, and program-specific cost-reporting instructions, or pose specific questions to DCF audit staff.

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Acronyms

CFR – Code of Federal Regulations

DCF – Department of Children and Families

FAR – Federal Acquisition Regulation

GAAS – Generally Accepted Auditing Standards

GAGAS – Generally Accepted Government Auditing Standards

HHS – U.S. Department of Health and Human Services

OMB – U.S. Office of Management and Budget

PAAG – Provider Agency Audit Guide

SSAG – State Single Audit Guidelines

Introduction

The Department of Children and Families (Department / DCF) contracts with local partner agencies to provide financial support for locally provided services, or to carry out specific functions in whole or in part. Most such contracts use federal grants, and the Department must ensure that the expenditures funded from such grants are allowable under the federal programs.

The US Department of Health and Human Services (HHS) provides the principal federal financial assistance for the programs the Department administers, as such, revision to the DCF's *Allowable Cost Policy Manual* (ACPM) incorporates the costs principles promulgated in 45 CFR Part 75, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards.* HHS made this rule effective on December 26, 2014. The complete federal regulation is at: https://federalregister.gov/a/2014-28697. Although the regulations in 45 CFR Part 75 parallels OMB's regulations in 2 CFR Part 200, part 75 is specific to HHS awards administered by the Department of Children and Families.

The federal regulations in 45 CFR Part 75 are divided into five subparts:

Subpart A: Acronyms and Definitions
Subpart B: General Provisions
Subpart C: Pre-Federal Award Requirements and Contents of Federal Awards
Subpart D: Post-Federal Award Requirements
Subpart E: Cost Principles
Subpart F: Audit Requirements

The Department's Allowable Cost Policy Manual follows the HHS costs principles as well as applicable state statutes and regulations in determining allowable costs allocable to the Department programs.

This manual describes principles that apply generally to all DCF programs, even if funded solely by state funds, in the absence of program-specific statutes or guidance to the contrary. Agencies should consult the terms of their contracts (including the appendices DCF uses for program-specific terms), Administrator's Memos, Operations Memos, Numbered Memos, and SPARC-line reporting instructions to determine the allowability of specific cost items for a specific contract or program.

For OMB training COFAR has developed resources to assist stakeholders in learning about the guidance at https://cfo.gov/COFAR.

Applicability

The Department of Children and Families is committed to ensuring that all costs for programs it funds are reasonable, necessary, and in accordance with federal and state regulations, as well as contract and program requirements. The Allowable Cost Policy Manual sets forth the principles and guidelines for determining the allowability of costs charged to Department programs. The purpose of these principles and guidelines is to determine the allowability of costs; however, they do not dictate the extent to which the Department will reimburse these costs. Agencies shall obtain written approval from the Department prior to incurring special or unusual costs.

The Department of Children and Families has adopted the federal cost principles to provide guidance on allowable costs and the programs subject to the cost principles. For each kind of organization, i.e., local government or tribe, for-profit, non-profit agency, educational institution, and commercial organization, there is a set of Federal principles for determining allowable costs. Allowable costs are determined in accordance with the cost principles applicable to the organization incurring the costs.

Entities that receive funding from the Department of Children and Families shall follow the applicable section of the federal cost principles; as well as cost principles otherwise applicable to their type of organization and any requirements placed on the entity by the recipient for compliance with the terms and conditions of the award.

The allowable costs principles in this manual apply to all state, local and tribe, for-profit, and non-profit entities and for the types of awards shown below:

Applicable (to the following types of awards)	**Not Applicable** (to the following types of award)
› Grant agreements and cooperative agreements, except those providing food commodities › Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement and subcontracts under these contracts in accordance with the FAR › Fixed-price contracts and subcontracts awarded under the Federal Acquisition Regulation whenever cost analysis is performed or the contract requires the determination or negotiation of costs	› Grant agreements and cooperative agreements providing food commodities › Fixed amount awards › Agreements for: loans, loan guarantees, interest subsidies and insurance › Federal awards to hospitals

Chapter I — General Guidelines for Allowability

General Criteria:

There are many factors that affect the allowability of costs. In order to be allowable for allocation to programs funded by the Department, all costs must meet the following general criteria:

- **Be <u>necessary</u> and <u>reasonable</u>** for proper and efficient program administration and allocable under these guidelines. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining the reasonableness of a given cost, consideration must be given to (§75.403 (a)):
    - Whether the cost is of a type generally recognized as ordinary and necessary to the operation of the agency or to the performance of the contract.
    - The restraints or requirements imposed by such factors as sound business practices, arms-length bargaining, federal, state, and other laws and regulations, and terms and conditions of the award.
    - The market prices for comparable goods and services for the geographic area.
    - Whether the individuals concerned acted with prudence considering their responsibilities to the agency, its employees, the public at large, and the federal government.
    - Whether the non-federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the cost.
- **Be allocable.** A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. A cost is allocable to a Government contract if it is incurred specifically for the contract; benefits both the contract and other work, and can be distributed between the contract and other work in reasonable proportion to the benefits each received; or is necessary to the overall operation of the business (§75.405).
- **Be in conformance** with any limitations or exclusions set forth in this Manual, federal or state laws, specific contract language, or other governing limitations as to types or amounts of cost items (§75.403 (b)).

- **Be consistent** with policies, regulations, and procedures that apply uniformly to both contracted activities and to other activities of the agency (§75.403 (c)).

- **Be accorded consistent treatment**. A cost may not be assigned to a program as a direct cost if any other cost under the same circumstances has been charged to a program as an indirect cost (§75.403 (d)).

- **Be determined in accordance** with generally accepted accounting principles (GAAP) (§75.403 (e)).

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

- **Be net of all applicable credits.** Applicable credits are receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to programs as direct or indirect costs, including discounts or rebates subsequently received for prior purchases. Agencies are expected to take advantage of available discounts on purchases of goods and services. If a subrecipient's costs are inflated due to failure to take advantage of available discounts or to report those discounts that were received, the excess costs will be disallowed. When applicable credits relate to allowable program costs, they must be credited to the program either as a cost reduction or a cash refund (§75.406).

- **Be supported by the agency's accounting records** and be adequately documented. Documentation requirements are discussed in depth in Chapter III of this Manual. (§75.400 (d), see also Wis. Stat. §49.34(4)(a))

Direct Costs, Allocated Costs, and Indirect Costs

The total cost of a DCF program is comprised of the allowable direct costs incident to its performance, plus its allocable portion of allocated and indirect costs, less applicable credits, plus any allowable profit, management service fees, or reserves if allowed under contract. The term "applicable credits" is defined above.

Direct Costs (§75.413)

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a program or contracted activity, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. For example, the entire salary of an individual who spends all of his or her time working on a single program can be charged as a direct cost to that program. Direct costs shall be claimed whenever possible based on the nature of the costs and the accounting system in place.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

Allocated Costs (§75.405)

Allocated costs are costs that are clearly associated with and can be readily assigned to a function or activity. A cost can directly benefit more than one program or function and can, therefore, be allocated (or charged) to the benefiting programs or functions on some reasonable and equitable basis. For example, an individual spends his or her time working on a number of different programs that the agency operates. Salary and related fringe benefits can be charged to the respective programs based on the number of hours reported to each program on employee time sheets.

Indirect Costs (§75.414)

Indirect costs are those costs that are incurred by an agency for a common or joint purpose that are not readily chargeable to a particular program or function without effort disproportionate to the results achieved, but benefit more than one program or function operated by the agency. Indirect costs are necessary to the overall operation of the agency, but a direct relationship to a specific program cannot be shown. An example of an indirect cost might be rent or utility costs incurred by an agency. Generally, these kinds of costs are identified, pooled, and charged against individual programs or funding sources using a rate designed to recover the costs.

When indirect costs are charged, all activities which benefit from the agency's indirect costs, including unallowable activities and donated services, will receive an appropriate allocation of indirect costs. The basis used shall be an equitable measure of the extent to which the cost incurred actually benefits the program to which it is charged. For example, square footage used by the various programs operated by the agency would be an equitable basis to allocate the total rent or utility costs incurred by the agency. Costs that are part of the agency indirect cost pool shall not duplicate any costs that are charged directly and shall not include any unallowable costs, and total costs charged <u>may not</u> exceed the actual costs incurred.

Federal regulation requires the federal agency providing the largest dollar value of federal award serve as the cognizant agency for indirect costs and for the negotiation and approval of the indirect cost rates. HHS is the designated cognizant agency for the Department. DCF partners desiring an indirect rate may submit their indirect cost proposal to HHS for approval. In addition, non-federal entities that have never received a negotiated indirect cost rate may elect to charge a de minimis rate of 10% of their modified total direct costs indefinitely. The 10% de minimis rate is not applicable for rate-regulated agencies as both direct and indirect costs are already factored into the cost rates received by these agencies. Also, State and Local Government and Indian Tribe are prohibited from using the de minimis rate.

Indirect Cost for State Public Assistance Agency - Public Assistance Cost Allocation Plans
Federal guidelines require state public assistance agencies to develop, document and implement cost allocation plans subject to the review and approval of the federal agency. State public assistance agency means a state agency administering or supervising the administration

of one or more public assistance programs operated by the state. The major programs are: Temporary Aid for Needy Families (TANF), Medicaid, Food Stamps, Child Support Enforcement, Adoption Assistance and Foster Care, and Social Services Block Grant are funded predominately by HHS. All administrative costs (direct and indirect) should be charged to the specific award using HHS approved public assistance cost allocation plan.

Indirect Cost for Local Government
Because of the diverse characteristics and accounting practices of governmental units, the types of costs which may be classified as indirect costs cannot be specified in all situations. See Appendix VII to Part 75 – *State and Local Government and Indian Tribe Indirect Cost Proposals*.

Indirect Cost for Tribal Government
Each tribal government desiring reimbursement of indirect costs must submit its indirect cost proposal to the Department of Interior.

Time and Effort Reporting (§75.430(i)-Standards for Documentation)

Local Government workers participating in the RMS or RMTS cost pools:

Government entities should continue their current methods to document and report staff effort in support of federal, state and local programs using either RMS or RMTS. Random Moment Sampling (RMS) is a system administered by Wisconsin DCF used to identify, report, and allocate local worker costs to benefiting programs such as income maintenance and child care.. The Social Services Random Moment Time Study (SS RMTS) is a federally approved method used by WI DCF to accurately determine proportions of local worker time spent providing services devoted to foster care and preventing foster care. Local government workers must also follow the rules outlined below when appropriate and any time reporting rules determined by their employer.

Non-profit agencies, For-profit agencies, Tribes and Local Government workers:

Charges to federal/state programs for salaries and wages, whether treated as direct or indirect costs, must be based on documented payrolls approved by a responsible official of the agency. Where employees work solely on a single federal/state program or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. The certifications will be prepared preferably on a monthly basis and must be signed by the employee or a responsible supervisory official.

Also, certified reports reflecting the distribution of charges within the payroll for each employee (professional or nonprofessional) whose compensation is charged, in whole or in part, directly to federal/state programs must be maintained. The reports must provide an after-the-fact certification of the conformance of payroll charges with the activity of each employee. In no case will certification periods exceed 12 months. Importantly, budget

estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards, but may be used for interim accounting purposes.

The time and effort payroll system must:

1. Be incorporated into the official records of the agency
2. Be supported by a system of internal control to ensure charges are accurate, allowable and properly allocated
3. Reasonably reflect the total activity for which the employee is compensated
4. Incorporate both state and federal pass-through activities and all other activities
5. Comply with the established accounting policies and practices
6. Support the salary distribution among specific activities or cost objectives.

The distribution of salaries and wages must be supported by certifications of the consistency of charges with the work performed. All required certifications may either be provided electronically or on paper.

Procurement and Sub-Contracting

All care and services under Ch. 48 and s. 49.34 of the Wisconsin Statutes purchased by the Department, or a county department under s. 46.215, 46.22, or s. 46.23 Wisconsin Statutes shall be authorized by a written contract with the provider, with two exceptions:

- For purchases of $10,000 or less, the requirements for a written contract may be waived by the Department.

- No contract is required for care provided by foster homes or treatment foster homes that are required to be licensed under s. 48.62 of the Wisconsin Statutes.

The Department may require the county departments to submit the contracts to the Department for review and approval.

Minimum Standards

When procuring or sub-contracting services with funding from the Department, an agency must use its own written policies and procedures, provided they adhere to the following minimum standards:

- **Written Standard of Conduct -** The agency shall maintain a written standard of conduct that includes a prohibition against any employee, officer, or agent of the recipient participating in the selection, award, or administration of a contract in which funds provided under contract with DCF are used, where, to his knowledge, he or his immediate family, partners, or organization in which he or his immediate family or partner has a financial interest or with whom he is negotiating or has any arrangement concerning prospective employment.

  Public officials and employees should also be aware of state and federal law which prohibit a public official or employee, acting in his private capacity, from negotiating, bidding, or entering into a contract in which he has private pecuniary interest at the same time he is authorized in his official capacity to exercise discretion in making or administering the contract.

  Agencies should consult their legal advisor if they have concerns regarding conflict of interest.

- **Open and Free Competition -** Procurement and sub-contracting shall be conducted in a manner to provide, to the maximum extent possible, open and free competition.

  - The agency shall be alert to organizational conflicts of interest or non-competitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.

  - Those who develop or draft specifications, requirements, bid invitations, requests for proposals, etc. should be excluded from competing.

  - Awards should be made to the bidder/offeror whose bid/offer is responsive to the solicitation and is most advantageous to the agency.

  - Solicitations should clearly set forth all requirements that the bidder/offeror must fulfill in order for his bid/offer to be evaluated by the agency.

  - Any and all bids/offers may be rejected when it is in the agency's interest to do so.

- **Minimum Procedural Requirements** - Recipients should establish written procedures that provide for, at minimum, the following requirements:
    - Procurement and sub-contracting actions shall follow a procedure to avoid purchasing unnecessary or duplicative items.
    - Solicitations for goods and services shall clearly and accurately describe the goods and services to be procured or sub-contracted.
    - The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement.

Related-Party Transactions

A related-party transaction occurs when one party to a transaction can influence the management or financial operating policies of the other party. Examples of related-party transactions include, but are not limited to, transactions between:

- Divisions of an organization.
- Organizations under common control through common officers, directors, or members.
- 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 controlling interest.

The fact that two parties in a transaction are related does not automatically mean the costs incurred are inappropriate and unallowable. In addition to the general procurement requirements applicable to all non-Federal entities, non-Federal entities engaging in related-party transactions must also maintain written standards of conduct covering organizational conflicts of interest.

DCF closely examines related-party transactions during fiscal reviews. Agencies must disclose related parties to DCF upon request.

Third-Party Revenue

Some contracts provide a specified level of funding and require additional revenues to be collected from various types of third parties. Typically an agency's accounting records need to show all revenues received by an agency regardless of source. Also, the agency must identify all revenues collected by a subcontractor that would reduce the amount of state or federal funds paid to the subcontractor and claimed by the agency from the Department.
The Department expects that all agencies (counties, tribes and private vendors) record gross revenues and expenditures in the appropriate accounts. Revenues should be clearly identified in the appropriate revenue ledgers. The same principle applies to the recording of expenditures.

Unless otherwise specified by the terms of the contract, all contracts must be written to require that the program-related revenue from sources other than DCF is to be used to offset the expenditures that would otherwise be charged to the program. An agency's accounting system should include sufficient detail to identify the total cost of services and total revenue received by service and source.

Fiscal Reviews, Audits and Unallowable Costs

DCF's Fiscal Integrity & Audit Section conducts fiscal reviews of agencies receiving DCF funding. The purpose of these reviews is to ensure that agencies receiving Department funding are in compliance with state and federal laws, cost guidelines, policies and procedures, as well as contractual and licensing requirements.

Chapter II - Selected Items of Costs

This chapter provides principles to be applied in establishing the allowability of certain items involved in determining cost. These principles apply whether or not a particular item of cost is properly treated as direct or indirect cost. A transaction or item of cost not specifically mentioned in the Manual is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost and the cost principles in this Manual.

In addition to general cost guidelines, the Department is prohibited by law, regulation, and/or contract from paying for certain expenditures. These costs are designated as unallowable costs and should not be charged to Department programs, either directly or indirectly. Agencies are not prohibited from incurring unallowable costs, but they cannot be recovered under Department contracts.

To manage unallowable costs, separate accounts should be established for these types of expenses. Unallowable costs cannot be made part of expense pools that are applied to contracts through administrative charges, cost allocation plans, or indirect charges. Agencies should include a direct cost pool or category in their chart of accounts for unallowable costs.

For costs to be allowable, they must be reasonable, necessary, and provide a benefit to the program. Costs not directly related to program needs are unallowable.

In general, unallowable agency-related costs include, but are not limited to:

- Advertising and public relations (§75.421)

  Advertising and public relations costs are generally not allowable except under the instances allowed by federal regulations or contract.

- Alcoholic beverages (§75.423)

  Costs of alcoholic beverages are unallowable.

- Automobile allowances (§75.403)

  The use of vehicle allowances does not reflect actual cost. As they are estimates, they are not allowable.

- Automobile costs for personal use (§75.431 (f))

  The use of agency owned cars or payment of mileage for personal use, including commuting, is not allowed.

- Bad debts (§75.426)

  Accounts receivables determined to be uncollectable, including losses from uncollectable accounts are unallowable whether actual or estimate.

- Cash disbursements and cash ATM withdrawals

  Checks written to "cash" or ATM cash withdrawals that are merely supported by a withdrawal receipt are not allowable expenses. Further documentation is required to provide justification for an expense charged to a DCF program.

- Contributions, donations and gifts (§75.434)

  See the federal allowable cost guidance for discussion on the allowability of contributions and donations.

- Entertainment (§75.438)

  Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose, reasonable, necessary and are authorized by contract. Questions about specific entertainment costs should be directed to your Contract administrator.

- Fines, penalties, damages and other settlements (§75.441)

  Costs resulting from violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the award, or with prior written approval of the Department.

- Fraud (FAR 31.603)

  Losses incurred by a provider related to fraud or embezzlement committed by internal or external perpetrators are unallowable costs and may not be charged to DCF programs.

- Fund raising costs (§75.442)

  Cost of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable. However, fundraising costs for the purposes of meeting federal program objectives which are reasonable and necessary may be allowable if permitted by contract. Questions about specific fundraising costs should be directed to your Contract administrator.

- Goodwill (FAR 31.205-49)

  The write-up of assets, resultant depreciation, and goodwill from business combinations is unallowable.

- Goods and services for personal use (§75.445)

  Costs of goods or services for personal use of employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

- Interest on credit card accounts and installment loans (§75.449)

  Interest expense on credit card accounts and installment loans are not allowable.

- Investment management costs (§75.442)

  Investment management costs are unallowable, except for costs related to the physical custody and control of monies and securities.

- Legal expenses for administrative appeals, prosecution of claims, or civil or criminal actions (§75.435; FAR 31.205-47)

  The cost of legal representation related to claims against the Department, as part of an administrative appeal, or as the result of civil or criminal actions against the agency is generally not an allowable cost.

- Lobbying/political activities (§75.450)

  The costs of certain influencing activities (i.e., attempts to influence the enactment or modification of any pending legislation through communication with any member or employee of the state legislature, or with any government official or employee concerning a decision to sign or veto enrolled legislation) associated with obtaining grants, contracts, cooperative agreements, or loans is unallowable.

- Losses (§75.451)

  The excess of cost over revenue on any contract or program is unallowable.

- Memberships, dues, and subscriptions (§75.454)

  Costs of membership in any country club or social or dining club or organization are unallowable. See below for a discussion of other types of memberships.

- NSF fees (§75.441)

  Fees assessed for non-sufficient funds checks or drafts, whether returned or not, are unallowable. Agencies are expected to maintain their accounts in a manner that precludes overdrafts from occurring.

- Over limit fees (§75.441)

  Over limit fees assessed on credit cards are unallowable. Agencies are expected to maintain their accounts in a manner that does not incur these types of fees.

- Parking tickets (§75.441)

  Fines and penalties include all costs resulting from violations of, or failure to comply with federal, state or local laws and regulations, and contract requirements. Parking tickets are considered a fine and are unallowable.

- Personal housing and living expenses (§75.445)

  The costs related to the personal living expenses of an agency's employees are generally unallowable. This includes but is not limited to: rent, utilities, auto expenses, food, dining, clothing, entertainment, insurance, furniture, and the payment of personal debt.

- Reconnection charges (§75.441)

  Reconnection charges for utilities, telephone, and Internet or cable service due to failure to pay bills on time is unallowable. Agencies are expected to maintain their accounts in a manner that does not incur these types of fees.

- Start-up Costs (§75.455; s. 49.34(3)(d))

  Start-up costs apply to new or expanded services only. Start-up costs are unallowable without prior approval. Reimbursement to an agency may be based on total allowable costs agreed to by the parties regardless of the actual number of service units to be furnished when the agency is entering into a contract for a new or expanded service that the purchaser recognizes will require a start-up period not to exceed 180 days. Such reimbursement applies only if identified client needs require the establishment of a new service or expansion of an existing service. A written agreement shall state the new or expanded services, the relevant time period, and the type of costs to be reimbursed. When the Department contracts with an agency with an existing program(s), costs of operations prior to the contract effective date may not be claimed unless specifically authorized. Providers may not be reimbursed based on planned or budgeted costs for services when the planned or budgeted services could not be provided during the contract period because of delays in starting up the program

- Tobacco products (§75.403)

  The cost of tobacco is expressly unallowable under all circumstances.

- Undocumented expenses (§75.403 (g))

  For expenses to be allowable, they must be adequately documented. Expenses that are lacking adequate supporting documentation are unallowable.

While the costs cited above are generally not allowable costs, some common costs incurred by agencies may be allowable, such as:

- Audit services (§75.425)

  Audit expenses are allowable if the audit is required by federal or state law or regulation or is authorized by the Department and performed in accordance with the applicable federal and state guidelines. The guidance that will be applicable to a particular agency depends on the type of agency and the amount and type of financial assistance received by the agency. In general:
  - All audits shall be in accordance with generally accepted auditing standards and the U.S. General Accounting Office *Government Auditing Standards*.
  - Audits of local governments and Tribes shall also be in accordance with the Single Audit Act Amendment of 1996, and the Wisconsin Department of Administration's *State Single Audit Guidelines*, if the amount of federal financial assistance is above the threshold for requiring an audit in accordance with the Single Audit Act Amendment of 1996.
  - Audits of institutions of higher education and other non-profit agencies shall also be in accordance with the Uniform Guidance and the Department's *Provider Agency Audit Guide*, if the amount of federal financial assistance is above the threshold for requiring an audit in accordance with Subpart F of the Uniform Guidance.
  - Audits of other agencies shall also be in accordance with the Department's *Provider Agency Audit Guide*.

- Client-Related Costs (§75.456)

Direct expenditures made on behalf of a client, such as food, entertainment, transportation and personal goods may be allowable if related to a program objective.

- Fees for Employee health and welfare costs (§75.437)

Costs incurred in accordance with the non-Federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are generally allowable. See the federal regulations for more specific guidance.

- Memberships, dues, and subscriptions (§75.454)
  - Costs of membership in business, technical, and professional organizations are allowable.
  - Costs of subscriptions to business, professional, and technical periodicals are allowable.
  - Cost of memberships in any civic or community organizations are allowable with prior approval.
  - Costs of membership in any country club or social or dining club or organization are unallowable.

Agencies with questions about the allowability of costs should contact the Department at DCFAuditors@wisconsin.gov to obtain approval prior to incurring the expense.

Chapter III - Documentation of Costs

Proper documentation of costs is a critical aspect of sound fiscal management. Supporting documentation provides evidence that costs were actually incurred and paid for by the agency. Generally, documentation will be in the form of an original invoice, receipt or contract that is supported by a copy of a canceled check/electronic payment copy or other document showing that the transaction was completed. If cancelled checks are not available, bank statements may provide evidence that the costs were paid by the agency.

In general, documentation must contain the following elements:

- Date
- Payee
- Amount of cost
- Expense account and program being charged
- Explanation describing nature of cost and how it reflects a benefit to the program and business purpose
- Receipts and invoices with detailed information on costs

Disbursements without proper supporting documentation will be disallowed. ATM withdrawal slips or checks made payable to cash without additional receipts showing the exact use of the entire cash amount will also be disallowed. Credit card statements alone do not constitute acceptable supporting documentation; detailed receipts are required.

The documentation requirements addressed in this Chapter are provided to help clarify the appropriate supporting evidence that should be present for costs charged to DCF programs. Proper accounting procedures require supporting source documentation for all transactions, not just expenses. Proof of payment and supporting documentation is required for all expenditure categories. Questions regarding proper documentation may be directed to DCFAuditors@wisconsin.gov.

The Department's intent is for the agency's accounting system to include sufficient detail to identify the total cost of services and total revenue received by service and source.