**Uniform Guidance**

**Implementation Procedures**

**SSB**

**Prior Written Approval**

**Procedure: 201**

**Approved: 10/1/2017**

**Revised: 10/4/2018**

**Background**

On April 22, 1995, the Office of Special Education and Rehabilitative Services (OSERS) published a notice in the Federal Register that prior approval was no longer required for certain categories of costs for formula grant programs. The Education Department General Administration Regulations (EDGAR), in 34 CFR 74.27 and 80.30(b), required prior approval from the Secretary before various categories of otherwise allowable costs could be charged to any Department grant or subgrant. In the Federal Register Notice, the OSERS Assistant Secretary stated that prior approval for formula grant programs authorized by the Rehabilitation Act of 1973, as amended, was no longer required for seven cost categories. The seven cost categories were-“(1) Automatic data processing; (2) Capital expenditures; (3) Management studies; (4) Professional services; (5) building space and related facilities; (6) Insurance and indemnification; and (7) Proposal costs.”

In the Department’s adoption of the Uniform Guidance, EDGAR parts 74 and 80 were superseded by the Uniform Guidance effective November 2, 2015. Therefore, the EDGAR provisions upon which the previous prior approval exemptions were granted have been superseded by the Uniform Guidance and no longer applicable to the Vocational Rehabilitation award.

In response to concerns raised by states, the Rehabilitation Services Administration (RSA) issued a technical assistance circular on April 11, 2018 which provided some additional flexibility around two areas of submissions-certain general purpose equipment and participant supports costs. VR agencies may request prior approval in the aggregate based on reasonable budget estimates for an entire Federal fiscal year (FFY), rather than submitting separate prior approval requests for each proposed expenditure.

**Authority:** 2 CFR 200.407 Prior Written Approval

RSA TAC 18-02

**Purpose**

To ensure compliance with Federal statutes, regulations and policies by implementing a process to determine which costs need prior approval and ensuring all grant requirements are met.

Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. To avoid subsequent findings for not complying with the Uniform Guidance effective immediately, DEED’s vocational rehabilitation programs (SSB and VRS) will request written approval from the Rehabilitation Services Administration **prior to** incurring indirect costs or special or unusual costs paid by the program.

**Prior approval is required for any source of funding that would pay for such costs. This is applicable to non-Federal funds that support the VR program (state match), Social Security reimbursement funds and Federal funds. Business Enterprises Program set-aside funds used toward match are also included.**

Prior approval is required regardless of payment method (e.g. credit card, purchase order, direct reimbursement)

Prior approval is also required regardless of cost except for equipment thresholds of $5000.

**Applicability:**

Prior approval is required for the following programs funded through federal grant awards: Business Enterprises, Older Blind, Independent Living, Supported Employment, and Vocational Rehabilitation.

**Prior Approval Items covered include:**

**200.306 (c) Cost Sharing or Matching**

Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the non-Federal entity’s approved negotiated indirect cost rate.

**200.413-Direct Costs (c)**

The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

1. Administrative or clerical services are integral to a project or activity;
2. Individuals involved can be specifically identified with the project or activity;
3. Such costs are explicitly included in the budget or have prior written approval of the Federal awarding agency; and
4. The costs are not also recovered as indirect costs.

**200.431(i)(2)(i) Mass Severance Pay**

Measurement of costs of abnormal or mass severance pay by means of an accrual will not achieve equity to both parties. Thus, accruals for this purpose are not allowable. However, the Federal government recognizes its obligation to participate, to the extent of its fair share, in any specific payment. Prior approval by the Federal awarding agency or cognizant agency for indirect cost, as appropriate, is required. For example, if the agency has incentive buyouts or offers a onetime buy out for employees that constitutes mass severance pay and may only be paid for through indirect costs with prior approval. Direct costs for mass severance is not allowed.

**200.438 Entertainment Costs**

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 and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

**200.439 Equipment and other capital expenditures**

Prior approval is required for equipment and capital expenditures with a per unit cost of $5,000 or more and an expected useful life of at least 1 year.

This includes:

* Computer systems, including software systems, if the amount is great than $5,000
* Equipment for the VR agency and consumers if the amount is greater than $5,000**\*\*\***
* Licenses to software, if the amount is greater than $5,000
* Land and buildings
* Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life.

This section also references 200.313(a)(2) Equipment

* Subject to the obligations and conditions set forth in this section, title to equipment acquired under a Federal award will vest upon acquisition in the non-Federal entity. Unless a statue specifically authorized the Federal agency to vest title in the non-Federal entity without further obligation to the Federal Government, and the Federal agency elects to do so, the title must be a conditional title. Title must vest in the non-Federal entity subject to the following conditions:
* (2) not encumber the property without approval of the Federal awarding agency or pass –through entity.

**\*\*\*RSA will permit a streamlined submission process for prior approval requests for general purpose equipment purchased for the following purposes:**

**1. General purpose equipment purchased for VR recipients under an approved IPE;**

**2. General purpose equipment purchased for State VR agency use (i.e. vehicles, copiers, office furniture), and**

**3. Initial purchase, maintenance, repair and replacement of Business Enterprises Program (BEP) vending facility equipment.**

**200.441 Fines, penalties, damages and other settlements**

Costs resulting from non-Federal entity 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 Federal award, or with prior written approval of the Federal awarding agency. In any other circumstance, these costs are unallowable.

**200.445 Goods or services for personal use**

Costs of housing (e.g., depreciation, maintenance, utilities, furnishing, rent.) This includes relocation expenses for employees who are hired and this is part of their package.

**200.454 Memberships, subscriptions, and professional activity costs, paragraph (c)**

Costs of memberships in any civic or community organization (ex. Rotary Club, Lion’s Club). Memberships, subscriptions to professional and technical organizations (ex. CSAVR, NCSAB) do not require prior approval.

**200.455 Organization Costs**

Costs such as incorporation fees, broker’s fees, fess to promoters, organizers or management consultants, attorney’s accountants, or investment counselor…in connection with establishment or reorganization of an organization require prior approval. This is applicable if the agency was considering consolidating offices, reorganizing the current structure, etc. and SSB was hiring an organizer consultant.

**200.456 Participant Support Costs**

Participant support costs are not applicable to employees of the Federal government or VR agency. 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 conferences, or training projects. These costs would typically include conferences and all associated travel/lodging/meal costs for the State Rehabilitation Council (SRC) members or unpaid interns.

Participant support costs do not include costs associated with a consumer traveling to and from a CRP or vendor in receipt of a VR service, consumer maintenance and education/training costs pursuant to an IPE. And conference support costs such as facility or audio/visual equipment rental.

**\*\*\*Travel costs incurred by SRC members to attend their meetings and subcommittee meetings do not need prior approval. RSA is granting prior approval through TAC 18-02 for all participant support costs State VR agencies incur with respect to the SRC attending meetings to fulfill their statutorily mandated functions under section 101(a)(21) and 105(c) of the Rehabilitation Act.**

**\*\*\*State VR agencies may submit prior approval requests using a streamlined approach for proposed participant support costs associated with the following three areas.**

**1. VR consumers attending conferences, such as those presented in connection with Pre-Employment Transition services;**

**2. SRC members attending conferences, such as those hosted by CSAVR, NCSAB, and NCIL; and 3. BEP vendors attending BEP/Randolph Sheppard trainings.**

**200.462(a)(b) Rearrangement and reconversion costs**

Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable as indirect costs. Special arrangements and alterations costs incurred specially for a Federal award are allowable as a direct cost with the prior approval of the Federal awarding agency or pass-through entity. Costs incurred in the restoration or rehabilitation of the non-Federal entity’s facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear are allowable. Prior approval is required, regardless of cost, for things such as arrangement or alteration of modular furniture and cubicle walls that are directly charged to the Federal award.

**200.467 Selling and Marketing costs**

Costs of selling or marketing any products or services of the non-Federal entity (unless allowed under 200.241 are unallowable, except as direct costs, with prior approval by the Federal awarding agency when necessary for the performance of the Federal award. This includes costs of displays, demonstrations, exhibits, and promotional items. Prior approval is not required for program outreach expenses to costs to communicate with the public and press pertaining to specific activities, accomplishments, or matters of public concern.

**200.474 Travel costs**

Notwithstanding the provision of 200.444 General costs of government, travel costs of officials covered by that section are allowable with prior written approval when they are specifically related to the Federal award.

**Applicability**

**SSB**

All Program Services unit supervisors, counselors, and support staff will be trained on this procedure.

1. Prior to completing program purchases, the applicable Program Services staff is required to review the above list of items to determine if prior approval is needed.
2. Program staff should give as much advance notice as possible to ensure adequate time for the approval process-typically 3-4 weeks. In the event something comes up quickly, complete paperwork as soon as possible and the Fiscal Coordinator will contact RSA to see if processing can be expedited.
3. In the rare event costs requiring prior approval were incurred without the prior written approval of RSA, the complete prior approval package will be prepared and sent to the Fiscal Coordinator, along with a detailed explanation of why the request was not submitted before incurring the costs. This will be stored in the prior approval folder to assist with federal monitoring. SSB will not submit the request to RSA as they cannot approve after the fact.
4. Program Services Staff completes the “Prior Approval” form (Attachment A) and sends to the SSB Fiscal Coordinator for further processing.
   1. This form must be filled out in its entirety. This includes:
      * Date requested
      * Federal Grant(s) Award Number(s)\*
      * Description of purchase
      * Reason for purchase
      * Relevant citation to support the allowability of request (legal authority)
      * Cost of each item
      * Grand total of purchase
      * Useful life of each piece of equipment
      * Allocation methodology for shared costs (will these goods or services benefit other programs?) If so, describe and address how costs will be allocated to each benefiting program in terms of relative benefits received. As an example, if the cost benefits two programs (or funding sources), and the request for prior approval states that the cost will be split 60/40, explain the method that was used to make this determination.
      * Scope of agreement/time frame-proposed date of purchase
      * Attachments included in request
      * Requestor name

\*Costs must be applicable to the period of performance for each grant award and prior approval must be granted for the costs to be charged to each award. You cannot put down grant award numbers for multiple years. A separate request for prior approval must be submitted if the request would be split between two different program grant awards. For example, if a request would be split between OIB and the Basic VR grant, a separate request must submitted for each award.

1. For categories where RSA has allowed flexibility, the Fiscal Coordinator and Director will work with appropriate staff to submit an aggregate plan on behalf of SSB for each area.  One plan will address the participant support costs and the other will address general purpose equipment.  These plans must be submitted no later than August 1. General Purpose equipment aggregate plans must include the State’s capitalization threshold amount ($5000 for MN) and the following:
   1. **General purpose equipment under an IPE**

* Number of pieces of equipment being purchased;
* Estimated number of VR recipients for which is equipment is being purchased; and
* Total aggregate amount of anticipated equipment purchases.

b. **General purpose equipment purchased for agency VR use**:

* Number of pieces of equipment being purchased;
* Total aggregate amount of anticipated equipment purchases.
  1. **Initial purchase, replacement, repair and maintenance of BEP vending facility equipment**:
* Number of pieces of equipment being purchased;
* Total aggregate amount of anticipated equipment purchases.

For participant support costs, budget estimates must be based on reliable cost estimates expected to be incurred in a given FFY. This includes prior FFY obligations and expenditures under each category; minor inflationary adjustments that may be needed, and anticipated changes in per diem costs; and potential changes in service delivery that may affect requests/expenditures.

Participant support cost plans must include the following:

1. **VR consumers attending conferences**

* Estimated number of VR consumers; and
* Aggregate amount of anticipated costs.

. **SRC members attending conferences**

* Estimated total number of members; and
* Aggregate amount of anticipated costs.

1. **Business Enterprise Program (BEP) vendors attending BEP trainings**

* Estimated total number of vendors; and
* Aggregate amount of anticipated costs.

The plans do not have to include a categorical breakdown of the total estimated amount when submitting a streamlined prior approval request; however, SSB will maintain supporting documentation with the plan for future review by RSA.

The plans will be maintained in the Prior Approval accounting folder, and once approval is obtained, staff will be notified of the approval. The Fiscal Coordinator will make a quarterly check on expenses compared to the approval received to ensure an amendment is not necessary. In the event the dollar threshold approved will be insufficient, an amendment to the request will be submitted for approval from RSA.

1. All requests are submitted to the Fiscal Coordinator. They will secure the SSB Director signature and submit to RSA Fiscal Analyst Craig McManus at [Craig.McManus@ed.gov](mailto:Craig.McManus@ed.gov).
2. The Fiscal Coordinator maintains all requests and approvals received in the shared drive ASU Accounting folder. Each request will be located in its own subfolder with the title of the request. Once approval is secured, the folder will be renamed to indicate DONE.
3. Once the request is approved, the Fiscal Coordinator/Director will forward the email to the original requestor. An authorization may be created at that time. For WDU staff, the email must be copied and placed into WF1, selecting “prior approval” from the drop down menu in case notes.
4. Questions regarding this procedure should be sent to the Fiscal Coordinator.