



## POLICY AND PROCEDURE NOTICE: FPPN-005 COST PRINCIPLES

**Summary and Purpose of PPN:** To guide the administration of the Ryan White Part A Program to ensure the financial integrity of taxpayer dollars through adherence to accepted cost principles.

### Authority:

- 45 CFR 75 Uniform Administrative Requirements, Cost Principles, and audit requirements for HHS Awards Subpart E – Cost Principles and Appendices
- *Determining the Unit Cost of Services* (HRSA publication)
- HIV/AIDS Bureau, Division of Metropolitan HIV/AIDS Programs National Monitoring Standards for Ryan White Part A Recipients: Fiscal – Part A
- Fulton County Ryan White Part A Contract/Agreement

### Policies and Procedures:

1. Subrecipients must be able to demonstrate familiarity with 45 CFR 75 Uniform Administrative Requirements, Cost Principles, and audit requirements for HHS Awards Subpart E – Cost Principles and applicable Appendices.
2. Subrecipients must ensure that budgets and expenditures conform to OMB and CFR requirements.
3. Subrecipients must make available to the recipient very detailed information on the allocation and costing of expenses for services provided.
4. Subrecipients must have in place policies and procedures to determine allowable and reasonable costs.
5. Subrecipients must have in place reasonable methodologies for allocating costs among different funding sources and Ryan White categories.
6. Subrecipients must make available policies, procedures, and calculations to the recipient on request.
7. Subrecipients must have in place systems that can provide expenses and client utilization data in sufficient detail to calculate unit cost.
8. Calculation of unit costs by subrecipients must be based on an evaluation of reasonable cost of services; financial data must relate to performance data and include development of unit cost information whenever practical.

9. When using unit costs for the purpose of establishing fee-for-service charges, the Generally Accepted Accounting Principles (GAAP) definition can be used. Under GAAP, donated materials and services, depreciation of capital improvement, administration, and facility costs are allowed when determining cost. If unit cost is the method of reimbursement, it can be derived by adding direct program costs and allowable administrative costs, capped at 10%, and dividing by number of units of service to be delivered.

**Verification:**

- Assess the reasonableness of subrecipient costs by reviewing expenditures and unit cost calculations, looking with particular care at budgets and expenditure reports of subrecipient organizations or organizational divisions that receive most of their financial support from federal sources.
- Review of subrecipient's budgets and expenditure reports to determine costs and identify cost components.
- When applicable, review unit cost calculations for reasonableness.
- Review fiscal and productivity reports to determine whether costs are reasonable when compared to level of service provided.
- Review budgets to calculate allowable administrative and program costs for each service.

**Approved: October 2016**

**Last Reviewed: January 2021**