

**OFFICE OF ENTREPRENEURIAL  
DEVELOPMENT**

**Financial Examination Unit**

**100 Frequently Asked Questions  
Small Business Development Center**

*August 2012*



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Office of Entrepreneurial Development  
Financial Examination Unit  
100 Most Frequently Asked Questions  
August 2012

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**Small Business Development Center**

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**LETTER FROM THE ASSOCIATE ADMINISTRATOR**

In our ongoing effort to provide excellent support to our SBDC partners, the Financial Examination Unit has developed this 100 Frequently Asked Questions guide. The questions were compiled based on conversations with SBDCs throughout the country, and will provide guidance on your financial examinations. This guide is not all-inclusive and our team members are available to answer additional questions not found in this guide.

I hope that this guide will be a valuable resource to you as you continue to work with SBA to serve America's entrepreneurs.

Michael Chodos  
Associate Administrator for Entrepreneurial Development  
U.S. Small Business Administration





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## INTRODUCTION

The purpose of the Small Business Development Center (SBDC) Frequently Asked Questions (FAQ) Guide is to provide a resource tool of frequently asked questions related to the financial requirements of the SBDC Program. It is provided to assist the internal and external stakeholders who are involved with the financial compliance of the SBDC grant program. The source of these questions comes from observations, findings, recommendations, and customer feed-back. The regulating guidance comes from the following: 2 CFR § 215, 2 CFR § 220, 2 CFR § 225, 2 CFR § 230, 13 CFR § 130, 13 CFR § 143, the applicable program announcement, incorporated proposals, notice of award, and generally accepted government auditing standards.

This FAQ guide supports all answers with the following SBDC Criteria, incorporated into the Notice of Award (NOA) by reference, for financial management and cost principles as follows:

- 2 CFR § 215 - Uniform administrative requirements for grants and agreements with institutions of higher learning, hospitals and other non-profit organizations
- 2 CFR § 220 – Cost principles for educational institutions
- 2 CFR § 225 – Cost principles for State and local governments
- 2 CFR § 230 – Cost principles for non-profit organizations
- 13 CFR § 130 – Small business development centers
- 13 CFR § 143 – Uniform administrative requirements for grants and cooperative agreements with State and local governments
- OMB Circular A-133 – Audits of States, local governments and other non-profit organizations
- Page 13 of the OMB Circular A-133 directs the auditor to apply the Generally Accepted Government Accounting Standards (GAGAS) which is contained in the Government Auditing Standards 2011 Internet Version<sup>1</sup>
- Fiscal Year/Calendar Year (FY/CY) 2011 Program Announcement for the SBDC Program (PA) (herein referred to as “FY/CY 2011 PA”)

Under this FAQ Guide, The Small Business Development Centers and Small Business and Technology Development Centers will herein be referred to as: *SBDCs*.

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<sup>1</sup> The Generally Accepted Government Auditing Standards used in this FAQ is the Internet Version, issued by the Comptroller General of the United States, which are applicable to financial audits.

# **PART I - Q&A**

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## REPORTING

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### Cost Principles

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Q1. What are *cost principles*?

A1. There are many cost principles which apply to different types of business entities. The entire list is too long and detailed for this FAQ document. APPENDIX F, provides a list of selected items of cost contained in OMB cost principles circulars. You will find a comprehensive discussion about cost principles for the SBDC program in the following Federal regulations:

Federal Regulation Criteria	Cost Accounting Standards (CAS) for:
2 CFR § 220, Attachment A to Appendix A and P. J. General Provisions for selected costs	Educational Institutions
2 CFR § 225, Attachments A and B to Appendix A	State and local governments and federally-recognized Indian tribal governments (governmental units)
2 CFR § 230, Attachments A and B to Appendix A	Non-profit organizations

*Criteria: SBA Form 1222, Notice of Award, Item 14*

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### Cost Types

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Q2. What is a *direct cost*?

A2. For the SBDC Program, a *direct cost* is a cost that can be directly traced to producing specific goods and services. The operative word in this definition is "specific," in that they are specific costs to the SBDC sponsored program and no other sponsored program.

*Criteria: 13 CFR § 130.110; 2 CFR § 220, Appendix A to Part 220, sub-paragraph. D.1.; 2 CFR § 225, Appendix A to Part 225, paragraph E; 2 CFR § 230, Appendix A to Part 230, paragraph E*

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Q3. What are *indirect costs*?

A3. For educational institutions, *indirect costs* are known as *facilities and administrative (F&A)* costs. For State, local, Indian Tribal Governments, and non-profit organizations, *indirect costs* may be known as *burden, fixed costs, or overhead*. Both F&A and indirect costs are those costs which cannot be readily and specifically identified with a specific program. The terms F&A costs and indirect costs are interchangeable; however, F&A is specific to educational institutions.

*Criteria: Appendix A to 2 CFR § 220, E.1.; Appendix A to 2 CFR § 225, F.1.; and Appendix A to 2 CFR § 230,*

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Q4. What are the cost elements for the SBDC Program?

A4. The cost elements of the Federal and cash match outlays are the same cost elements that are required per the FY/CY 2011 PA, Section IV. A. 2., SF-425A, Budget Information Non-Construction Programs; and the first and last pages of the 2011 NOA, which list the cost elements. Each cost element has its own set of acceptable source documents; however, past practice takes precedence, in most cases.

*Criteria: FY/CY 2011 PA, Section IV. A. 2. Coversheet and budget page of the 2011 NOA.*

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## Reporting Indirect Cost

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- Q5.** How are indirect costs claimed, prepared and reported?
- A5.** An SBDC network reports indirect costs on *The Schedule of Indirect Cost*. A sample of *The Schedule of Indirect Cost*, used to report claimed indirect costs as part of the SBDC SF-425 package, can be viewed under APPENDIX D.  
*Criteria:* FY/CY 2011 PA, Section IV. A. 2, p. 18 of 70; FY/CY 2011 PA, Section VI. B. 3. b., page 28 of 70.
- 
- Q6.** How much total indirect cost, Federal and waived, can be claimed?
- A6.** Per the 2011 NOA, paragraph. 15. f. and 13 CFR § 130.460 state that in “no instance shall the Recipient/SBDC Network charge indirect costs against this award which exceed the total shown on the approved budget without prior written approval of the SBA Grants Management Specialist.” Additionally, indirect cost claimed under the Federal outlay cannot exceed more than 20% of the Federal outlay.  
*Criteria:* 2011 NOA, p. 15. f., Indirect cost requirement, p. 13 of 17
- 
- Q7.** Where is waived indirect cost reported?
- A7.** Per the 2011 NOA, paragraph 8. e. (2), page 7 of 17, claimed waived indirect cost (i.e. non-cash indirect cost) is reported under Item 12 of the SF-425.  
*Criteria:* 2011 NOA, paragraph 8. e. (2) (b) ii., page 7 of 17 (SEE APPENDIXB)
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## Carryover Request

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- Q8.** Can I use the unobligated balance of the Federal funds in the next budget period?
- A8.** An SBDC recipient can use the unobligated balance in the next budget period on a case-by-case basis. This is known as a *carryover request*. In this process, the unobligated balance is known as the *unexpended balance of Federal funds*.  
*Criteria:* FY/CY 2011 PA, Section IV. E. 2., p. 24 of 70; 13 CFR § 130.620(b)(6); 2011 NOA paragraph 15. s. (1) – (3), p. 15 of 17 (SEE APPENDIX)
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## Reporting Matching Outlays (Cost Sharing)

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- Q9.** What are *Matching Outlays*?
- A9.** 2 CFR § 215.2 (i) defines *matching outlays* (also known as *cost sharing*) to mean “that portion of project or program costs not borne by the Federal Government.” Matching outlays include cash match, in-kind contributions, and claimed waived indirect cost.  
*Criteria:* 2 CFR § 215.2(i) (SEE APPENDIX)
- 
- Q10.** What is the SBDC Program’s matching requirement?
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**A10.** Per FY/CY 2011 PA, an organization receiving “the Cooperative Agreement is required to match federal funding on a 1.1 ratio.” Additionally, 13 CFR § 130.450(a) states that the “recipient organization must provide total Matching Funds equal to the total amount of SBA funding. At least 50% of the Matching Funds must be Cash Match. The remaining 50% may be provided through any allowable combination of additional cash, in-kind contributions, or indirect costs.”

*Criteria: FY/CY 2011PA Section II. C., p. 11 of 70; 13 CFR § 130.450(a)*

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**Q11.** What is overmatch and how can overmatch be applied?

**A11.** Per 13 CFR § 130.110, overmatch is the non-Federal contributions to SBDC project costs, including cash, in-kind contributions and indirect costs, in excess of the statutorily required amount. Overmatch can be applied as follows, with the restriction cited in 13 CFR § 130.45(d):

1. additional matching funds requirements; and
2. to offset audit disallowances.

*Criteria: 13 CFR § 130.110; 13 CFR § 130.450(d)*

*(SEE APPENDIX B)*

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**Q12.** What are impermissible sources of matching funds?

**A12.** Per 13 CFR § 130.450(e), “under no circumstances may the following be used as sources of the Matching Funds of the recipient organization:

1. uncompensated student labor;
2. SCORE, ACE, or SBI volunteers;
3. Program Income or fees collected from small businesses receiving assistance; and
4. funds or indirect or in-kind contributions from any other Federal source.”

*Criteria: 13 CFR § 130.450(e)*

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**Q13.** Can overmatch be used to support carryover?

**A13.** Per 2011 NOA, paragraph 15. h., the Recipient “must revise the final SF-425 to exclude that portion of non-Federal funds that will be used as match in support of the carryover. This overmatch is reported separately on the SF-425 for the carryover funds that is submitted for the subsequent funding period. However, once used for any of the above, these funds may not be used as match for any other purpose.”

*Criteria: 2011 NOA, paragraph 15. h., p. 15 of 17.*

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**Q14.** Are there unique requirements for U.S. protectorates?

**A14.** Yes, per FY/CY 2011 PA, Section II. C., for protectorate areas – American Samoa, Guam and the US Virgin Islands - 48 USC Sec. 1469a requires the SBA to waive the match requirements on awards less than \$200,000; and further provides the discretion to waive match for awards exceeding \$200,000.

*Criteria: FY/CY 2011 PA, Section II. C.*

*(SEE APPENDIX B)*

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**Q15.** Where are cash-match and in-kind outlays reported?

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**A15.** Per the 2011 NOA, paragraph 8. e. (2), claimed cash-match and in-kind outlays are reported under Item 12 of the SF-425.

*Criteria:* 2011 NOA, paragraph 8. e. (2) (b) iii., page 7 of 17

(SEE APPENDIX B)

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## Reporting Program Income and Disbursements

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**Q16.** How is Program Income reported?

**A16.** Per the 2011 NOA, paragraph 8. e. (4), page 7 of 17, Program Income is reported on the “SBA Form 2113 and worksheet” in support of the SBA Form 2113, and included as part of the SF-425 package.

*Criteria:* 2011 NOA, paragraph 8. e. (4), page 7 of 17

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## Retention of Documents

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**Q17.** How long must SBDC financial records be retained?

**A17.** Per 2011 NOA, paragraph 8. h., financial “records, supporting documents, statistical records and other records pertinent to this award must be retained by the recipient and sub- recipients for a period of three years from submission of final financial report.”

*Criteria:* 2011 NOA, paragraph 8. h., page 9 of 17

**Q18.** What are the exceptions for retaining SBDC documents for three years?

**A18.** Per 2011 NOA, paragraph 8. h., the exceptions for retaining SBDC documents for three years includes “audits, appeals, litigation or the settlement of claims started before the end of the three year period must be retained until such audits, appeals, litigation or claims have been resolved and final action taken.”

*Criteria:* 2011 NOA, paragraph 8. h., p. 9 of 17

**Q19.** What can an SBDC network do to ease the space problem of records retention?

**A19.** Per 2011 NOA, paragraph 8. h., to “ease the space problem that may occur, SBDC networks may transfer these records to computer storage, as long as a hard copy can be produced when necessary.”

*Criteria:* 2011 NOA, paragraph 8. h., page 9 of 17

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## Federal Financial Report (SF-425)

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**Q20.** How frequently must an SBDC network submit their *Federal Financial Reports, SF-425* (herein referred to as “SF-425”)?

**A20.** Per the 2011 NOA, paragraph 8. e. (6), the two categories: new SBDC networks and established SBDC networks are listed under the criteria, given.

*Criteria:* 2011 NOA, paragraph 8. e. (6), pp. 7 & 8 of 17; FY/CY 2011 PA, Section VI. B. 3.b., p. 28 of 70

**Q21.** What is the SF-425 package?

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**A21.** Per the FY/CY 2011 PA, Section VI. B. 3. b., the “final report must include the SF-425 package which consists of the following:

- SBDC approved SF-425;
- Spreadsheet in support of the SF-425;
- Schedule of indirect cost reporting, Federal portion, and waived indirect;
- SBA Form 2113; and
- Spreadsheet in support of the SBA Form 2113”

*Criteria: FY/CY 2011 PA, Section VI. B. 3. b., p. 28 of 70*

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**Q22.** How must the SF-425 package be prepared and what must be included?

**A22.** Per the FY/CY 2011 PA, Section VI. B. 3. b. and the 2011 NOA states that the SF-425 package the recipient must ensure that the entire SF-425 package is properly completed and attached, to reiterate:

- SBDC approved SF-425;
- Spreadsheet in support of the SF-425 (D for sample);
- Schedule of indirect cost reporting, Federal portion, and waived indirect on the SF-425;
- SBA Form 2113; and
- Spreadsheet in support of the SBA Form 2113.

Note: The SBDC must report all recipient shares of outlays; cash, in-kind and waived portion of indirect. The waived portion of indirect cost should not be included for in-kind match.

*Criteria: FY/CY 2011 PA, Section VI. B. 3. b. and the 2011 NOA, paragraph 8.e., pp. 7 & 8 of 17 (SEE APPENDIX B)*

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**Q23.** What is a spreadsheet in support of the final SF-425?

**A23.** The spreadsheet in support of the SF-425, under APPENDIX D, is the tool which reconciles the SF-425. If properly prepared, it will provide accurate, current, and complete disclosure of financial results reported under Items 10e, 10j, and 12 of the final SF-425. This sample template, provided by the OSBDC, when closely followed, facilitates any financial audit or examination, thereby meeting the criteria under FY/CY 2011 PA, Section VI. B. 5. d. Go to APPENDIX A, for a discussion regarding the key elements of the spreadsheet in support of the SF-425.

*Criteria: 2 CFR § 215.21 (b)(1); 2 CFR § 215.21 (b)(2); 2 CFR § 215.21 (b)(3); and FY/CY 2011 PA, Section VI. B. 5. d., pp. 36 & 37 of 70 (SEE APPENDIX B)*

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**Q24.** What is a reimbursement invoice?

**A24.** For the SBDC Program, the reimbursement invoice is used by SBDC Program sub-recipients of the SBDC Program to report recompense for rendered services and to report financial activity per their sub-agreement. The reimbursement invoice records financial activity for cash and non-cash outlays.

1. For more SEE APPENDIX A.
2. For information on the minimum requirements for the reimbursement invoice SEE APPENDIX C, TABLE 1

*Criteria: 2 CFR § 215.21 (b)(1); 2 CFR § 215.21 (b)(2); 2 CFR § 215.21 (b)(3); 2011 NOA, paragraph 8, p. 6 of 17; and FY/CY 2011 PA, page 10 of 79 (SEE APPENDIX. B)*

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**Q25.** What reporting documents are needed to reconcile the final SF-425?

**A25.** The SBA financial examiner reconciles the final SF-425 as follows:

1. The SF-425 uses the following source documents:
  - a. Spreadsheet in support of the SF-425, and
  - b. Schedule of indirect cost
2. The spreadsheet in support of the SF-425 uses the following source documents
  - a. For the lead center: Standard Form-270 and associated general ledgers
  - b. For the service centers: reimbursement invoices
3. The lead center and service center reimbursement invoices use the:
  - a. Federal general ledger, cash match general ledger(s), or combined Federal/cash match general ledger(s);
  - b. Labor distribution report; and
  - c. Year-end summary with budget comparison
4. The general ledgers are supported by the following sample documentation:
  - a. Canceled checks or equivalent
  - b. Travel authorizations and vouchers
  - c. Vendor invoices
  - d. Contracts/purchase orders/agreements
  - e. Payment vouchers
  - f. Purchase requests
  - g. Internal transaction notes, internal transfers, and journal entry.

*Criteria:* Per FY/CY 2011 PA, Section VI. B. 5. d., pp. 36 & 37 of 70; 2011 NOA, paragraph 8, page 6 of 17

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**Q26.** What deliverables are needed to reconcile the SF-425?

**A26.** The SBDC lead center receives a notification letter, from the SBA, which lists the deliverables needed for the financial examination. The SBDC Lead Center must send the following deliverables per the first notification communiqué are as follows:

1. Copy of signed and dated final SF-425 with a completed Item 21;
2. Spreadsheet in support of the final SF-425;
3. All reimbursement invoices; and
4. Only lead center and selected service center general ledgers.

The second notification will normally be by email. It will be a list which requests sample support documents which will be due 30 days after receipt of the notification.

*Criteria:* 2011 NOA, paragraph 8.e, p. 9 of 17

(SEE APPENDIX B)



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## Source Documents

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Q27. What is a *source document*?

A27. GAGAS, p. 3.50c. states that source documents include those providing evidence that transactions have occurred (for example, purchase orders, payroll time records, customer orders, and contracts). Such records also include an audited entity's general ledger and subsidiary records or equivalent.

*Criteria:* GAGAS, p. 3.50c.

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## SERVICE CENTER MONITORING

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Q28. What is *service center monitoring*?

A28. *Service center monitoring* is a form of program oversight from the financial management perspective, and it is similar to the SBA's biennial financial examinations process. It is conducted by the Recipient, who is represented by the SBDC Lead Center.

(SEE APPENDIX A)

*Criteria:* 13 CFR § 130.350(b); 2 CFR § 215.21(b)(6); FY/CY 2011 PA, Section VI., B. 3. b., page 28 of 70

(SEE APPENDIX B)

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Q29. What is included in service center monitoring requirements?

A29. The financial monitoring service center review program provides a detailed review of the actions taken to ensure that charges were necessary and reasonable and in compliance with the applicable cost principle requirements for confirmation of time and effort charged to the grant.

*Criteria:* 2 CFR § 215.21(b)(6); 2011 NOA, paragraph 8, page 6 of 17

(SEE APPENDIX B)

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## CASH DISBURSEMENTS

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Q30. What are *outlays*, *expenditures*, and/or *cash disbursements* for the SBDC Program?

A30. In the SBDC Program's financial examination process, *cash disbursements* pertains to Federal and cash match *outlays*. Per 2 CFR § 215.2 (u) and 13 CFR 143.4, *outlays or expenditures* "means charges made to the project or program. They may be reported on a cash or accrual basis. For reports prepared on a cash basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of indirect expense charged, the value of third party in-kind contributions applied and the amount of cash advances and payments made to subrecipients. For reports prepared on an accrual basis, outlays are the sum of *cash disbursements* for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received, for services performed by employees, contractors, subrecipients and other payees and other amounts becoming owed under programs for which no current services or performance are required.

*Criteria:* 2 CFR § 215.2 (u); 13 CFR 143.4

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## Cash Match Outlay

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**Q31.** What is *cash match*?

**A31.** *Cash match* is the non-Federal fund equaling no less than fifty percent (50%) of the Federal outlay. It includes direct costs which are committed by the Recipient to sponsor the SBDC Program.

*Criteria:* 13 CFR § 130.110, *Cash Match*

(SEE APPENDIX B)

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**Q32.** Where may I find the requirement for the amount of cash match to be contributed to the SBDC Program?

**A32.** You may find the requirement for the amount of cash match to be contributed to the SBDC Program in FY/CY 2011 PA, Section II. C., which states that the “organization receiving the Cooperative Agreement is required to match federal funding on a 1.1 ratio. Cash match in an amount not less than 50 percent of the federal funding is required.”

*Criteria:* FY/CY 2011 PA, Section II. C., p. 11 of 70

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**Q33.** May I use in-kind contributions, Program Income and/or indirect costs to satisfy the cash match requirement?

**A33.** No. In-kind contributions, Program Income, and/or indirect cost may not be used to satisfy the cash match requirement. Such a condition will result in an automatic finding per Criteria: below.

*Criteria:* FY/CY 2011 PA., Section VI. B.5.d. *Financial Guidelines*, p 37 of 70 and FY/CY 2011 PA, Section IV. A. 2. p. 18 of 70

(SEE APPENDIX B)

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## Personnel

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**Q34.** What are *personnel costs*?

**A34.** Personnel costs are salaries and wages.

*Criteria:* 2 CFR § 220, *Appendix A. J. 10*; 2 CFR § 225, *Appendix B. 8*; and 2 CFR § 230, *Appendix B. 8*.

(SEE APPENDIX B)

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**Q35.** What source documents support personnel expenditures?

**A35.** Source/support documentation for salaries and wages depends on whether:

- the employee works 100% full- or part-time on the SBDC Program;
- the employee works on multiple programs with different cost centers, resulting in working less than 100% of the authorized work day on the SBDC Program; and
- because of the many different personal compensation and associated requirements it is important to be familiar with the cost principles contained in the Criteria: below.

*Criteria:* 2 CFR § 220, *Appendix A. J. 10*; 2 CFR § 225, *Appendix B. 8*; and 2 CFR § 230, *Appendix B. 8*.

(SEE APPENDIX B)

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**Q36.** What is the best source document for an employee who works 100% of the time on the SBDC Program?

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- A36. The best source document for employees who work 100% of the time on the SBDC Program, whether full-time or part-time, is the payroll register.  
*Criteria:* 2011 PA Section VI. B. 5. d., p. 37 of 70 (SEE APPENDIX B)
- 

Q37. What is a *payroll register*?

- A37. A *payroll register* is a *payroll distribution report*, generally maintained by a Human Resources Office (i.e., Personnel Office), upon which is summarized the salary, wage and deduction information for employees for a specific payroll. Because of the volume of paper that makes up an HR payroll register, this documentation is usually furnished when requested. The request will consist of a sampling, and the examination of payroll expenses, including fringe benefits, will be based on this sampling. Questionable costs in the sampling may result in a population examination of the payroll distribution report for employees of the SBDC Program.  
*Criteria:* FY/CY 2011 PA, Section VI. A. 5. d., p. 37 of 70 (SEE APPENDIX B)
- 

Q38. What is the best source document for an employee who works less than 100% of the time, as a full-time or part-time employee, on the SBDC Program?

- A38. The best source document for the employee, who works less than 100% of the time on the SBDC Program, whether full-time or part-time, is the payroll register **and** a viable time allocation system.  
*Criteria:* FY/CY 2011 PA, Section VI. A. 5., p. 37 of 70 (SEE APPENDIX B)
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## Fringe Benefits

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Q39. What are *fringe benefits*?

- A39. *Fringe benefits* are employment benefits; such as a pension or a paid holiday, granted by an employer that has a monetary value but does not affect basic wage rates.  
*Criteria:* The NOA incorporates the following by reference: 2 CFR § 220, Appendix A. J. 10; 2 CFR § 225, Appendix B. 8; and 2 CFR § 230, Appendix B. 8. (SEE APPENDIX B)
- 

Q40. What source documents support claims for fringe benefits?

- A40. The source documents which support claims for fringe benefits are the payroll register, the employment contract, or leave and earning statements.  
*Criteria:* FY/CY 2011 PA, Section VI. A. 5. d., p. 37 of 70 (SEE APPENDIX B)
- 

## Travel

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Q41. What are *travel expenses*?

- A41. Per 2 CFR § 220, 225, and 230, travel expenses are defined as follows: “the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution.”  
*Criteria:* FY/CY 2011 PA, Section IV. E. 1. **Travel**, p. 22 of 70; FY/CY 2011 PA, Section VIII.B.3., p45 of 70; 2 CFR § 220, Appendix J.53; 2 CFR § 225, Appendix J.43.; 2 CFR § 230; 13 CFR § 130.460(g) (SEE APPENDIX B)
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**Q42.** Are there different types of travel expenses in the SBDC Program?

**A42.** Yes, in the SBDC Program there are two types of travel expenses:

1. In-State travel which consists of:
  - a. Local travel within 50 mile radius or radius established by Recipient, and
  - b. Local travel beyond the 50 mile radius or radius established by Recipient; and
2. Out-of-State travel.

*Criteria:* FY/CY 2011 P.A, Section IV. E. 1. **Travel**, p. 22 of 70; FY/CY 2011 P.A, Section VIII. B. 3., p45 of 70; 2 CFR § 220, Appendix J.53; 2 CFR § 225, Appendix J.43.; 2 CFR § 230; 13 CFR § 130.460(g) (SEE APPENDIX B)

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**Q43.** May I use the award funds to pay for expenses associated with local travel expenses such as per diem, lodging, meals, or other subsistence?

**A43.** No, BUT with one exception. The Recipient MAY NOT use award funds to pay for per diem, lodging, meals, or other subsistence expenses associated with local travel within the 50 mile or Recipient established radius.

EXCEPTION: Award funds may be used to pay for transportation expenses for local travel (e.g. bus, taxi, mileage for privately owned vehicles, etc.)

*Criteria:* 13 CFR § 130.460(g)

(SEE APPENDIX B)

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**Q44.** How must all travel be managed?

**A44.** The SBDC Program has several travel requirements (see criteria for specifics) as follows:

1. all proposed travel must use coach class, apply directly to specific work of the SBDC, or be incurred during the normal course of SBDC Program business;
2. agree with the written travel policies of the Recipient organization; and
3. per diem rates, including lodging, shall not exceed those sanctioned by the Recipient organization.

*Criteria:* FY/CY 2011 P.A, Section IV. E. 1. **Travel**, p. 22 of 70

(SEE APPENDIX B)

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**Q45.** May I charge actual costs for unanticipated out-of-state travel when it exceeds the approved amount in the budget proposal?

**A45.** No. The Recipient must obtain prior approval from OSBDC through the designated SBA Project Officer. Approval is given by the OSBDC via letter or email. The OSBDC letter or email will become the source document for the approval of unanticipated out-of-state travel, and should be provided during a financial examination or audit, when requested. Additionally, the Recipient must notify the designated SBA Project Officer quarterly or annually for all after-the-fact out-of-state travel not in the approved budget and obtain after-the-fact approval from OSBDC. This process must be handled between the SBDC lead center and SBA Project Officer, only. Approval is given by OSBDC. Going outside this process will generate confusion and lack of communication between all stakeholders.

*Criteria:* FY/CY 2011 P.A, Section VIII. B. 3., p. 45 of 70.

(SEE APPENDIX B)

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**Q46.** When does a travel expense become a change in scope?

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U.S. Small Business Administration

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**A46.** A travel expense becomes a change in scope when unplanned out-of-State travel exceeds the approved budgeted amount for travel.

*Criteria: 13 CFR § 130.460 (g)*

*(SEE APPENDIX B)*

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**Q47.** How are transportation costs justified?

**A47.** Transportation costs are justified as follows:

- in writing;
- include estimated costs;
- number of persons traveling;
- benefit to small business community derived from travel; and
- projected amount based on SBDC's past experience.
- compliance with Recipient's internal controls.

*Criteria: 13 CFR § 130.460(g)*

*(SEE APPENDIX B)*

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**Q48.** What source documents are needed to support travel claims?

**A48.** The source documents which support travel claims are:

- travel authorizations; and
- travel voucher and attached receipts

*Criteria: 13 CFR § 130.460 (g)*

*(SEE APPENDIX B)*

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## Equipment

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**Q49.** What is *equipment*?

**A49.** *Equipment* is defined as tangible non-expendable personal property including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

*Criteria:* 13 CFR § 143.3 and 2 CFR § 215.2(l)

(SEE APPENDIX B)

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**Q50.** Can a Recipient's policy establish lower limits for equipment?

**A50.** Yes. Although the Federal government currently establishes the minimum acquisition cost at \$5,000, the minimum acquisition cost established by the Recipient takes precedence.

*Criteria:* 13 CFR § 143.3 and 2 CFR § 215.2(l)

(SEE APPENDIX B)

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**Q51.** How does an SBDC network manage equipment expenses?

**A51.** The SBDC lead center must maintain an equipment log and comply with the Recipient's controls over equipment expenses.

*Criteria:* 2011 NOA incorporates 2 CFR § 215.34(f)

(SEE APPENDIX B)

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**Q52.** What source documents support equipment expenses?

**A52.** Cancelled checks, check stub, electronic check receipt, vendor invoices, sales slip, purchase receipts, credit card statement, purchase order, and requisition.

*Criteria:* GAGAS, paragraph 3,50c, p. 40; paragraph A6.04, p. 187

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**Q53.** What is the disposition of equipment purchased with Federal funds?

**A53.** Per legal interpretation from the SBA/Office of General Council (OGC) dated November 16, 2006, equipment purchased with Federal funds: (SEE APPENDIX A)

*Criteria:* Legal interpretation from the SBA/OGC dated November 16, 2006

(SEE APPENDIX E)

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**Q54.** What is the disposition of equipment purchased with funds claimed as in-kind match?

**A54.** Per legal interpretation from the SBA/OGC dated November 16, 2006, equipment purchased with matching funds/claimed as in-kind match is as follows: (SEE APPENDIX A)

*Criteria:* Legal interpretation from the SBA/OGC dated November 16, 2006

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**Q55.** What is the disposition of equipment purchased with Program Income?

**A55.** Per legal interpretation, dated November 16, 2006, equipment purchased with Program Income is as follows: "If the Program Income was not used as match, then the former recipient can retain the equipment. Although this may seem counterintuitive, the OMB guidance regarding equipment refers only to equipment purchased using Federal funds and while they are project funds, Program Income does not constitute Federal funds. There is also no problem with under-match in such circumstances. As such, even though they would not have that equipment if it were not for the SBDC grant, there is no basis for us to assert a claim to that equipment."

*Criteria:* Legal interpretation from the SBA/OGC dated November 16, 2006

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## Supplies

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**Q56.** What are *supplies*?

**A56.** Per 2 CFR 215.2(hh), *supplies* “means all personal property EXCLUDING equipment, intangible property, and debt instruments as defined in this section, and inventions of a contractor conceived or first actually reduced to practice in the performance of work under a funding agreement...”

*Criteria:* GAGAS, paragraph 3,50c., p. 40; paragraph A6.04, p. 187 and 2 CFR 215.2(hh)

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**Q57.** What source documents support claims for supply expenses?

**A57.** cancelled checks, check stub, electronic check receipt, vendor invoices, sales slip, purchase receipts, credit card statement, purchase order, and requisition.

*Criteria:* GAGAS, paragraph 3,50c., p. 40; paragraph A6.04, p. 187

(SEE APPENDIX B)

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## Contracts/Consultants

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**Q58.** What is a *contract*?

**A58.** A contract is a “voluntary, deliberate, and legally binding agreement between two or more competent parties. Contracts are usually written but may be spoken or implied, and generally have to do with employment, sale or lease, or tenancy.” Under the SBDC Program a contract is:

“a procurement contract under an award or sub-award, and a procurement subcontract under a Recipient's or sub-recipient's contract.” (2 CFR § 215.2(h))

“a procurement contract under a grant or sub-grant, and means a procurement subcontract under a contract. (except as used in the definitions for *grant* and *sub-grant* in this section and except where qualified by *Federal*) (13 CFR § 143.3)

*Criteria:* 13 CFR § 143.3; 2 CFR § 215.2(h)

(SEE APPENDIX B)

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**Q59.** What source documents support claims for contractual expenses?

**A59.** Cancelled check, check stub, or electronic receipt; vendor invoice; purchase order or contractual document; requisition; request for quotations (if applicable); and supporting notes.

*Criteria:* GAGAS, paragraph 3,50c., p. 40; paragraph A6.04, p. 187

(SEE APPENDIX B)

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## Other Expenses

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**Q60.** What constitutes *other expenditures*?

**A60.** *Other expenditures* pertain to expenditures other than salaries and wages; fringe benefits; travel; service; equipment; contracts; and consultants. Examples of other expenditures might include telephone service; internet services; wireless services; business organizations; subscriptions; etc.

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**Q61.** What source documents support *other expenses*?

**A61.** Cancelled check, check stub, electronic check receipt, vendor invoices, statements, vendor invoices, subscription forms, sales slip, purchase receipts, credit card statement, purchase order, and requisition.

*Criteria:* GAGAS, paragraph 3,50c., p. 40; paragraph A6.04, p. 187

(SEE APPENDIX B)

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## IN-KIND THIRD-PARTY CONTRIBUTIONS

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**Q62.** What are *in-kind third-party contributions* (herein referred to as “*in-kind*”)?

**A62.** *In-Kind* is part of the Recipient’s share. Per 2 CFR 215.2 (kk) *third party in-kind contributions* means the value of non-cash contributions provided by non-Federal third parties. Third “party in-kind contributions may be in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program.”

*Criteria:* 2 CFR 215.2 (kk); and 2011 PA paragraph Section VIII. C. 15., p. 53 of 70

(SEE APPENDIX B)

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**Q63.** What is the one exception to the disallowance of federal funds as cash match? ?

**A63.** Community Development Block Grant (CDBG) funds received from the Department of Housing and Urban Development are allowed when: (1) the SBDC activities are consistent with the authorized CDBG activities for which the funds were granted; and (2) the CDBG activities are identified in the Consolidated Plan of the CDBG grantee or in the agreement between the CDBG grantee and the sub recipient of the funds.

*Criteria:* FY/CY 2012 PA, Section IV. E. 2. p. 25 of 66.

(SEE APPENDIX B)

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**Q64.** Can in-kind contributions contain cash match, program income and/or indirect costs?

**A64.** No. In-kind contributions may not contain cash match, program income, or indirect cost. Such a condition will result in an automatic finding per Criteria: below.

*Criteria:* FY/CY 2011 PA., Section IV. E. 2., p. 25 of 70, Financial Guidelines FY/CY 2011 PA, Section IV. A. 2. p. 18 of 70

(SEE APPENDIX B,)

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**Q65.** How must the financial resources for in-kind be presented in the budget proposal?

**A65.** Per the FY/CY 2011 PA, Section IV. E. 1., the “budget proposal must describe the financial resources offered by the applicant. The amount and source of funds being provided as match must be clearly indicated; e.g., state, university and private sector funds - distinguishing between cash match, indirect match and in-kind match. In-kind match contributions must be fully explained to show how their value is determined.”

*Criteria:* FY/CY 2011 PA, Section IV. E. 1. p. 22 of 70.

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**Q66.** How does an SBDC network support claims for in-kind contributions?

**A66.** Per FY/CY 2011 PA, Section VI. B. 5. d. Financial Recordkeeping : support for in-kind cost: SBDC support documentation MUST include the following: dated and signed statement from the donor identifying the specific nature of the donation, contact information, and indicating that no additional remuneration is expected. Donor documentation may resemble an invoice with those provisions.

*Criteria:* FY/CY 2011 PA, Section VI. B. 5. d., p. 37 of 70

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**Q67.** What are the four most common types of in-kind contributions in the SBDC Program?

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**A67.** Per 2 CFR § 215.23, the four most common types of in-kind contributions are:

1. volunteer services;
2. donated supplies;
3. donated space; and
4. donated equipment.

*Criteria:* Per 2 CFR § 215.23

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**Q68.** What are *volunteer services*?

**A68.** Per 2 CFR § 215.23 (d), “*volunteer services* are approved professional or technical personnel, consultants and other skilled and unskilled labor.” It is unpaid, i.e. not a cash transaction. The approval is based on the bilateral agreement of the NOA.

*Criteria:* 2 CFR § 215.23 (d)

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**Q69.** How are *volunteer services* documented?

**A69.** The Recipient uses the general support documentation, as indicated under Q66, to support volunteer services. The rate of the service should be equivalent to the rate per hour of similar work of employees of the Recipient. However, if similar work is not available then it should be a rate similar to the local market.

*Criteria:* 2 CFR 215.23 (d) and (b)(5)(i)

(SEE APPENDIX B)

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**Q70.** What are *donated supplies*?

**A70.** Per 2 CFR § 215.23(f), *donated supplies* include expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. An example of donated supplies is the yearly donation of QuickBooks by Intuit. They provide a number of software packages with an invoice letter, which includes the value of the donation. This letter generally indicates the period in which this donation is valid.

*Criteria:* 2 CFR § 215.23(f)

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**Q71.** How do I determine the value for the cost sharing of donated supplies?

**A71.** Per 2 CFR § 215.23(f), the matching share of donated supplies must be reasonably priced and “shall not exceed the fair market value of the property at the time of the donation.”

*Criteria:* 2 CFR § 215.23(f)

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**Q72.** How do I determine the value for the cost sharing of rented space and/or equipment?

**A72.** Per 2 CFR § 215.23(h)(2) and (3), donated space and/or equipment must not exceed the fair market value of such rental space and equipment. For space, this determination must be made by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.

*Criteria:* 2 CFR § 215.23(b)(2) and (3)

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**Q73.** What requirements pertain to the recipient’s supporting records for in-kind contributions from third parties?

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**A73.** Supporting records for in-kind contributions must be documented. Donated space must have a supporting lease that indicates the value per square footage.

*Criteria: 2 CFR § 215.23(b)(5)*

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**Q74.** Can an SBDC claim in-kind contributions for SBDC employees?

**A74.** No, per FY/CY 2011 PA, Section VI. B. 5. D., paid “SBDC staff, i.e. host employees, is not an eligible source of in-kind contributions over and above the remuneration of salaries and benefits provided by the host organization.”

*Criteria: FY/CY 2011 PA, Section VI. B. 5. d., p. 37 of 70*

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**Q75.** Where are in-kind contributions reported?

**A75.** Per the 2011 NOA, paragraph 8. e. (2), claimed waived indirect cost (i.e. non-cash indirect cost) is reported under Item 12 of the SF-425.

*Criteria: 2011 NOA, paragraph 8. e. (2) (b) i., page 7 of 17*

*(SEE APPENDIX B)*

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## **INDIRECT COSTS**

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**Q76.** What is a *cognizant agency*?

**A76.** Per 13 CFR § 130,110. “*Cognizant Agency*. The Federal agency, other than SBA, from which a Recipient organization or sponsoring SBDC organization receives its largest grant or greatest amount of Federal funding, and from which it obtains an indirect cost rate for budgetary and funding purposes, applicable throughout the Federal government.”

*Criteria: 13 CFR § 130,110. Cognizant Agency*

*(SEE APPENDIX B)*

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**Q77.** When does the SBA become a cognizant agency?

**A77.** SBA becomes a cognizant agency when the SBDC Recipient receives its largest grant or amount of Federal funding from the SBA and/or the designated cognizant agency directs the SBA to enter into an indirect cost agreement with the SBDC Recipient for the SBDC Program, only.

*Criteria: 13 CFR § 130.110. Cognizant Agency*

*(SEE APPENDIX B)*

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**Q78.** What does an SBDC do when they do not currently have a negotiated indirect cost rate agreement?

**A78.** Entities currently without a rate agreement negotiated with a Federal agency may request the SBA Project Officer to provide a rate agreement of 24% for use only in the SBDC Program. Additional constraints are required per the applicable criteria. This applies only to facilities, administrative costs are direct cost and must be managed per cash disbursements, above.

*Criteria: FY/CY 2011 PA, Section IV. E. 1., p. 23 of 70*

*(SEE ATTACHMENT B)*

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**Q79.** What does an SBDC Recipient do when the sub-recipient or SBDC Recipient does not have a current indirect cost agreement with a cognizant agency?

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**A79.** When the SBDC Recipient or their sub-recipients do not have a current indirect cost agreement with a cognizant agency, per the FY/CY 2011 PA, Section IV. A. 2., states that the Recipient must contact the project officer at the SBA district office prior to completing their SBDC cost proposal.

*Criteria: FY/CY 2011 PA, Section IV. A.2., p. 18 of 70*

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**Q80.** How do I calculate indirect costs?

**A80.** You calculate the indirect cost by applying the formula given in the applicable indirect cost agreement. Deviations will result in a disallowance because the calculation does not comply with the indirect cost agreement.

*Criteria: FY/CY 2011 PA, Section IV. A.2., p. 18 of 70.*

*(SEE APPENDIX B)*

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**Q81.** What are the limitations for claiming indirect cost under the Federal outlay?

**A81.** Per 2011 NOA, p. 15.f., the Recipient cannot exceed 20% of the total Federal outlay when indirect costs are claimed as Federal cash outlays.

*Criteria: 2011 NOA, p. 15.f.*

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**Q82.** Can an SBDC network claim indirect cost as a Federal outlay?

**A82.** Yes, under the following condition, ONLY. Indirect cost cannot exceed 20% of the Federal outlay.

*Criteria: 13 CFR § 130.460 (b)*

*(SEE APPENDIX B)*

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## **PROGRAM INCOME**

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**Q83.** What is *Program Income*?

**A83.** *Program Income*, per the 2011 NOA, paragraph 11, “means gross income earned by the SBDC Lead Center and Service Centers that is directly generated by a Cooperative Agreement supported activity or earned only as a result of the Cooperative Agreement with SBA.”

*Criteria: 2 CFR § 215.2 (x); 2011 NOA, p. 11, p. 10 of 17; 13 CFR § 130.480 (b); 13 CFR § 143.25(b)*

*(SEE APPENDIX B)*

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**Q84.** What are *Program Income* expenditures?

**A84.** Program Income expenditures are expenses paid using Program Income to further eligible SBDC Program objectives.

*Criteria: 2 CFR § 215.24 (b) (1); 13 CFR § 143.25 (c)*

*(SEE APPENDIX B)*

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**Q85.** How does the Recipient use *Program Income*?

**A85.** Program Income must be used to further the objectives of the SBDC Program and cannot be used for other purposes.

*Criteria: FY/CY 2011 PA, Section IV. E. 2; 2011 NOA, p. 11. Program Income, page 10 of 17*

*(SEE APPENDIX B)*

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- Q86.** Can *Program Income* be used to finance the non-Federal share (i.e. Recipient share: cash match and in-kind outlay) of the SBDC Program?
- A86.** Program Income cannot be used to finance the non-Federal share of the SBDC Program. Per FY/CY 2011 PA, Section IV. E. 1, program “income or fees collected from clients and/or attendees are also excluded from match.”  
*Criteria:* Per FY/CY 2011 PA, Section IV. E. 1, p. 21 of 70
- 
- Q87.** What regulation covers Program Income?
- A87.** Per 2011 NOA, paragraph 11, the Recipient “must follow either 2 CFR Part 215.24 or 13 CFR Part 143.25, whichever applies.”  
*Criteria:* 2011 NOA, paragraph 11, p. 10 of 17; 2 CFR § 215.24; 13 CFR § 143.25
- 
- Q88.** Is it necessary for the SBDCs to maintain source documents to support *Program Income*?
- A88.** Yes, per the FY/CY 2011 PA, Section V, (B) (5) (d): SBDCs “must maintain support documents for SBA Form 2113 and SF-425s....Support for *Program Income* receipts and expenditures including receipt and disbursement journals.”  
*Criteria:* FY/CY 2011 PA, Section V (B) (5) (d), page 37 of 70
- 
- Q89.** Is it necessary for the Recipient organization and their sub-recipients to maintain internal control systems to manage SBDC *Program income*?
- A89.** Yes, per the 2011 NOA, paragraph. 5. h., “SBA will perform monitoring and oversight activities in order to determine whether the SBDC has developed procedures to track financial resources, including Program Income and whether these resources were devoted to fulfilling eligible SBDC Program objectives.”  
*Criteria:* 2011 NOA, paragraph. 5. h. page 4 of 17; 13 CFR § 130.810
- 
- Q90.** What are *Program Income receipts*?
- A90.** Per 13 CFR § 130.110 Program Income is income earned or received by the SBDC network from any SBDC supported activity. *Program Income receipts* may include: training, sales of books, advertising, research work, conferences, trade shows, etc. “Etc.” meaning any effort which generates income for the SBDC network within the constraints of the program.  
*Criteria:* 13 CFR § 130.110. *Program Income*
- 
- Q91.** How do I support claims for Program Income receipts?
- A91.** Per FY/CY 2011 PA, Section V. B. 5. b., the SBDC must use the SBA Form 888, Program Income receipts, list of clients and amounts paid; and payment receipts.  
*Criteria:* FY/CY 2011 PA, Section V. B. 5. b., p. 35 of 70; 13 CFR § 130.480 (b) and (c) (SEE APPENDIX B)
- 
- Q92.** How must Program Income be managed with Federal and matching outlays?
- A92.** Per the FY/CY 2011 PA, Section VI. B. 5. d. “SBDC expenditures of federal, matching and Program Income must be accounted for separately from other center resources.”
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*Criteria: FY/CY 2011 PA, Section VI. B. 5. d., p. 37 of 70*

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- Q93.** Which government official monitors Program Income for the SBA?
- A93.** The SBA project officer is the government official who monitors the use of Program Income for their specific SBDC network. Accordingly, if there are any questions concerning the use of Program Income; then the network should first contact the SBA project officer for guidance. A final decision will be made by OSBDC.
- Criteria: 13 CFR § 130.480 (b) and (c) (SEE APPENDIX B)*
- 

- Q94.** Can an SBDC receive funds or contributions from a bank for doing a loan package that is associated with a specific SBDC client?
- A94.** An SBDC cannot receive funds or contributions from a bank for doing a loan package that is associated with a specific SBDC client; this would imply receiving fees for counseling.
- Criteria: 13 CFR § 130.340 (b) (1) – (5)*
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## **CLOSE-OUT**

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- Q95.** What procedures are followed by the recipient in the event that they or their sub-recipients exit the program?
- A95.** Per FY/CY 2011 PA, Section VIII. B. 16, the recipient organization reconciles all accounts for program funds (both federal and match) as well as Program Income; consistent with the termination of services, transferring the Program Income fund balance to the new SBDC host at the end of the program period; and provides for the submission of final electronic and paper activity and financial reports as required by the Notice of Award.
- Criteria: FY/CY 2011 PA, Section VIII. B. 16, page 49 of 70. (SEE APPENDIX B)*
- 

- Q96.** What are the close-out procedures in the event that a recipient or sub-recipient exits the SBDC Program?
- A96.** The close-out process pertains to the recipient and sub-recipient(s). There are a number of procedures which must be undertaken to ensure a smooth transition to a new recipient or sub-recipient. These procedures should be included in the recipients internal control system for the SBDC Program. These procedures are listed, but are not limited to, FY/CY 2011 PA, Section VIII. B. 16.
- Criteria: FY/CY 2011 PA, Section VIII. B. 16, page 49 of 70 (SEE APPENDIX B)*
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## **CARRYOVER**

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**Q97.** What is *carryover*?

**A97.** Per FY/CY 2011 PA, Section IV. E. 2., *carryover* is the unexpended balance of Federal funds which is approved for use in the next budget period.

*Criteria: FY/CY 2011PA, Section IV. E. 2., p. 24 of 70*

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**Q98.** What are the uses of carryover and how and when does an SBDC make a carryover request?

**A98.** Per FY/CY 2011PA, Section IV. E. 2., the “SBDC Lead Center Director may request approval to carry over an unexpended balance of federal funds to the next budget period. Carryover of unexpended funds is permissible only if the funds are to be used for a project or activity not included in the next year’s SBDC agreement, is within the scope of the SBDC Program and the request is in the best interest of the Program. Funds should be expended in the year awarded; however, carryover requests will be considered on a case-by-case basis. Carryover requests must consist of the following: (1) SF-424, budget pages, and justification; (2) narrative indicating why the funds were not expended during the period in which they were awarded; (3) SBA District Office approval; and (4) evidence of match.”

*Criteria: FY/CY 2011PA, Section IV. E. 2., p. 24 of 70*

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**Q99.** Is there a match requirement for carryover funds and when must the request be made?

**A99.** Yes, per FY/CY 2011PA, Section IV. E. 2., the “match requirement for carryover funds can be met by using overmatch from the current budget year, an increase in funds pledged by the SBDC or overmatch from the year funds were carried over or a combination of both.”

*Criteria: FY/CY 2011PA, Section IV. E. 2., p. 24 of 70*

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**Q100.** How are carryover funds administered?

**A100.** The 2011 NOA, paragraph 15. s., provides guidance on the administration of carryover funds as follows:

Administration of Carryover Funds

1. The recipient agrees that use of carryover funds is subject to the terms and conditions of this award.
2. The Recipient must account for and report on expenditures of carryover funds separately from the current funding year allocation; however, no additional internal accounting treatments need to be applied to the prior year overmatch expenditures to be used as matching funds for this carryover beyond the standards applicable to the year in which the expenditures were made.
3. The Recipient must revise the prior year final SF 425, to exclude the overmatch expenditures being allocated as matching funds for a carryover.
4. All financial reports, pay requests and other correspondence relating to the carryover funds must indicate the same Agreement/Document Number of the funds carried forward.
5. Indicate the word “Carryover” on the FFR (SF 425) and request for reimbursement (SF 270).
6. Carryover will not be approved until all unliquidated obligations are liquidated. Refer to paragraph e (6) above.

*Criteria: 2011 NOA, paragraph 15. s., p. 15 of 17*

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U.S. Small Business Administration

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## **PART II - APPENDICES**

## APPENDIX A

### Discussion

A3. An expense (such as for advertising, computing, maintenance, security, supervision) incurred in joint usage and, therefore, difficult to assign to or identify with a specific cost object or cost center (department, function, program). Indirect costs are usually constant for a wide range of output, and are grouped under fixed costs.

Retrieved from BusinessDictionary.com. <http://www.businessdictionary.com/definition/indirect-cost.html>.

A4. List of cost elements ([p. 36](#))

- Salaries and wages
- Fringe Benefits
- Travel
  - In-State
  - Out-State
- Equipment
- Supplies
- Contracting
- Consulting
- Other (consists of any cost element that does not fall under above)

A23. Discussion for Reporting/Spreadsheet in Support of the SF-425

Key elements include:

1. the name of Recipient and/or **all** sub-recipient;
2. service centers under the financial management of the lead center should be listed with the lead center and included in the lead center's total;
3. each expenditure should provide the supporting general ledger account number;
4. the expenditures must include the following outlays which are reported on the SF-425, only
  - a. Federal, reported under Item 10g.
  - b. Cash Match, reported as part of the sum of Item 10j, itemized under Item 12
  - c. In-kind Contribution, reported as part of the sum of Item 10j, itemized under Item 12

Waived indirect cost is retrieved from the Schedule of Indirect Cost and is reported as part of the sum of Item 10j, itemized under Item 12.

A24. Discussion for Reporting/Reimbursement Invoice

Non-cash match outlays include in-kind contributions and waived indirect cost. Depending on the financial management system adopted by the SBDC network Program Income activity may or may not be reported on the reimbursement invoice. The SBA financial examiner or the SBA auditor uses (or may use) the reimbursement invoice as a reconciliation tool, i.e. supporting documentation, for the spreadsheet in support of the SF-425. The corresponding general ledger, which should be identified on the reimbursement invoice, is the support document for the reimbursement invoice. Accordingly, the reimbursement invoice links the spreadsheet to the general ledger. APPENDIX C, TABLE 1, p. 61 provides a list and definitions of the minimum requirements for a useful reimbursement invoice. These minimum requirements may assist in providing accurate, current and complete disclosure of the financial results of the SBDC Program and facilitate an SBDC financial examination or audit.

A28. Discussion for Service Center Monitoring.

Although the process can be similar to the SBA financial examination process, it is not mandatory to apply the same process. But it is necessary to develop a service center monitoring process which yields the same results, which is: due diligence over the financial affairs of the SBDC Program by ensuring compliance with the SBDC Program's terms and conditions as they pertain to financial management.

According to the SBA, the best barometer to determine whether the Recipient is in compliance with 13 CFR § 130.350(b) is the conduct of a comprehensive financial site review that incorporates the following objectives: service center monitoring for second level sub-recipients; reconciliation of claimed cash disbursements; reconciliation of claimed in-kind contributions by evaluating the source documents; ensuring correct application of indirect cost agreements; and Program Income receipts and expenditures. Generally, to satisfy the SBA financial examination, oversight of the program, as it pertains to the sub-recipients, is best demonstrated by a schedule of financial reviews and written reports which demonstrate compliance with the financial term and conditions of the SBDC Program and generally accepted government auditing standards.

A comprehensive SBDC network service center monitoring program should be documented per the SBDC network's internal controls.

A53. Discussion for Cash Disbursements/Equipment

Legal interpretation from the SBA/Office of General Council (OGC) dated November 16, 2006, equipment purchased with matching funds/claimed as in-kind match is as follows:

- “If the full purchase value of the equipment was claimed as match, then we need to apply depreciation tables to see if any meaningful value is remaining. If there is more than nominal value remaining, then we have an under-match situation and they will need to turn the equipment over to the successor recipient or return the under-matched Federal funds it was used to draw down. For example, if they bought a \$10K computer server two years ago and claimed the full value as match and after depreciation the server is still worth \$7K, then we only received \$3K worth of usage of the server for the SBDC project. That means they received \$7K in Federal funds to which they were not entitled. They would therefore either need to repay that \$7K or pass that server on to their successor.
- “If there is only nominal value remaining, then they could keep the equipment. We will need to establish a threshold below which we will consider an article of equipment to have only nominal value. I would suggest using a percentage of original value for the threshold rather than a set dollar amount. For example, we could adopt the policy that if an article of equipment purchased by the former recipient retains less than 10% of its original purchase value, we would consider it to have only nominal value and the former recipient could retain it.
- “If the former recipient only claimed the value of the use of the equipment as match, then they can retain the equipment. For example, using the server example above, if the cost of leasing a server would be \$1K per year and the recipient therefore only claimed \$2K as match for the use of the server during the time it was used for project purposes, there is no problem with under-match and the former recipient can retain the equipment.”

A54. Discussion for Cash Disbursements/Equipment

Legal interpretation from the SBA/Office of General Council (OGC) dated November 16, 2006, equipment purchased with Program Income is as follows:

- If the Program Income was used as match, then the rules above apply
- If the Program Income was not used as match, then the former recipient can retain the equipment. Although this may seem counterintuitive, as you noted the OMB guidance regarding equipment refers only to equipment purchased using Federal funds and while they are project funds, Program Income does not constitute Federal funds. There is also no problem with under-match in such circumstances. As such, even though they would not have that equipment if it were not for the SBDC grant, there is no basis for us to assert a claim to that equipment.

A58. Discussion for Cash Disbursements/Definition/Contract  
2 CFR § 215.2(b)

Contract “means a procurement contract under an award or sub-award, and a procurement subcontract under a Recipient's or sub-recipient's contract.”

13 CFR § 143.3

Contract means (except as used in the definitions for *grant* and *sub-grant* in this section and except where qualified by *Federal*) a procurement contract under a grant or sub-grant, and means a procurement subcontract under a contract.

## APPENDIX B

### SBDC Program Criteria

A2. Criteria: defining direct cost:

*2011 NOA incorporates 13 CFR § 130.110 which defines direct costs as follows:*

Direct costs” as defined in Office of Management and Budget (OMB) Circulars A–21, A–87 and A–122. Recipient organizations must allocate at least 80 percent of the Federal funds provided through the Cooperative Agreement to the direct costs of program delivery.

*2011 NOA incorporates 2 CFR § 220, Appendix A to Part 220 (i.e. OMB Circular A-21) —Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements With Educational Institutions, sub-p. D.1., defines direct costs as follows:*

General. Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct, or F&A costs. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution.

*2011 NOA incorporates 2 CFR § 225 — Cost Principles for State, Local, and Indian Tribal Governments (OMB CIRCULAR A–87), Appendix A to Part 225, p. E, defines direct costs as follows:*

*Direct Costs*

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.
2. Application. Typical direct costs chargeable to Federal awards are:
  - a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
  - b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
  - c. Equipment and other approved capital expenditures.
  - d. Travel expenses incurred specifically to carry out the award.
3. Minor items. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

*2011 NOA incorporates 2 CFR § 230—Cost Principles for Non-Profit Organizations (OMB CIRCULAR A–122). Appendix A to Part 230, p. E, defines direct costs as follows:*

*Direct Costs*

1. Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization. However, a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost. Costs identified specifically with awards are direct costs of the awards and are to be assigned directly thereto. Costs identified specifically with other final cost objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly.
2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied to all final cost objectives.
3. The cost of certain activities is not allowable as charges to Federal awards (see, for example, fundraising costs in p. 17 of Appendix B to this part). However, even though these costs are unallowable for purposes of computing charges to Federal awards, they nonetheless must be treated as direct costs for purposes of determining indirect cost rates and be allocated their share of the organization's indirect costs if they represent activities which include the salaries of personnel, occupy space, and benefit from the organization's indirect costs.

4. The costs of activities performed primarily as a service to members, clients, or the general public when significant and necessary to the organization's mission must be treated as direct costs whether or not allowable and be allocated an equitable share of indirect costs. Some examples of these types of activities include:
  - a. Maintenance of membership rolls, subscriptions, publications, and related functions.
  - b. Providing services and information to members, legislative or administrative bodies, or the public.
  - c. Promotion, lobbying, and other forms of public relations.
  - d. Meetings and conferences except those held to conduct the general administration of the organization.
  - e. Maintenance, protection, and investment of special funds not used in operation of the organization.
  - f. Administration of group benefits on behalf of members or clients, including life and hospital insurance, annuity or retirement plans, financial aid, etc.

A3. Criteria for indirect cost (F&A)

*Appendix A to 2 CFR § 220*

F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. See Section F.1 of this Appendix for a discussion of the components of F&A costs.

*Appendix A to 2 CFR § 225*

F.1. Indirect costs are those: Incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. The term "indirect costs," as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

*Appendix A to 2 CFR § 230, paragraph C.*

1. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect costs under the conditions described in sub-paragraph. B.2 of this appendix. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.
2. Because of the diverse characteristics and accounting practices of non-profit organizations, it is not possible to specify the types of cost which may be classified as indirect cost in all situations. However, typical examples of indirect cost for many non-profit organizations may include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.
3. Indirect costs shall be classified within two broad categories: "Facilities" and "Administration." "Facilities" is defined as depreciation and use allowances on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel, library expenses and all other types of expenditures not listed specifically under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable).

A4. Criteria for Reporting/Cost Types

*FY/CY 2011 PA, Section IV. A. 2.*

*(SEE APPENDIX A, p. 31)*

*Coversheet and budget page of the 2011 NOA*



U.S. Small Business Administration

12. Approved Budget (Excludes SBA Direct Assistance)		
<input type="checkbox"/> SBA Funds Only	<input type="checkbox"/> Total project costs including all other financial participation.	
	Federal Share	Non-Federal Share
a. Personal Service_____		
b. Fringe Benefits_____		
c. Consultants_____		
d. Travel_____		
e. Equipment_____		
f. Supplies_____		
g. Contractual_____		
h. Other_____		
<b>i. TOTAL DIRECT COSTS_____</b>	<b>0.00</b>	<b>0.00</b>
j. Indirect cost_____		
(Rate). % of S & W/TADC		
<b>k. OTHER APPL. COSTS_____</b>		
<b>l. TOTAL APPROVED BUDGET</b>	<b>0.00</b>	<b>0.00</b>

A5. Criteria for Reporting/SF-425 package

*FY/CY 2011 PA, Section IV. A. 2, p. 18 of 70*

Personnel:	For each position of the SBDC, show federal, match, annual salary, number of months, level of effort in percentage and total amount used as the basis to estimate personnel costs. For key personnel, list name, position title and length of time current incumbent has held the position. For SBDC employees who are not key persons or personnel to be hired only position title is required.
Fringe Benefits:	Indicate the fringe rates approved by your cognizant federal agency for audits when available. If not available provide the schedule used. Do not include fringe cost in the total amount required for personnel. Sometimes fringe benefits are posted on the indirect cost agreement.
Travel:	Provide purpose for in state and out of state travel. For local travel not requiring preauthorization provide total anticipated mileage and mileage rate. For travel requiring preauthorization, itemize destinations, mode of transportation, airfare or other transportation rates, number of trips, and number of travelers. Prior approval of the SBA is required for foreign and unplanned out-of-state (not in approved budget) travel.
Equipment:	List items costing at least \$5,000 and having at least one year of useful life. The recipient organization must maintain an inventory of equipment purchased with program dollars including cost, location, and detailed description of each item. Equipment inventory must be made available upon request of SBA.
Supplies:	Show anticipated cost of supply items such as general office, operational, computer supplies, and other supply items costing less than \$5,000. The recipient organization must maintain an inventory of controlled supplies of higher dollar value and high potential for loss such as computers, etc. and it must be made available upon request of the SBA.
Contractual:	Should Service Centers propose sub-contractual cost, please provide budget details, such as statement of work, number of hours and rate of pay. Separate budgets are only required for Lead Center subcontracts with individual Service Centers. Do not show indirect cost on contractual line.
Consultants:	There may be an error on form 424A showing a "construction" instead of a "consultants" category. Please indicate consultants cost on that line for construction. Specify the consultant's purpose and indicate the number of hours and rate of pay.
Other:	This category may include, but is not limited to computer software, copying, postage, printing, publications, subscriptions, dues, telephone, conference fees, and office space (indicate square footage and rate). Do not list other items with zero amounts.
Indirect cost:	Indicate the indirect cost amount on budget justification line j and 424A, line 6j. Show indirect cost rate and method used to calculate indirect cost. You may obtain the Indirect Cost Allocation Worksheet from the SBDC website at <a href="#">SBDC Forms</a> . You may break out Lead Center Indirect vs. Contractual (Service Center) Indirect on line 23, Remarks. A copy of the Indirect Cost Rate agreement (ICR) approved by your cognizant agency for audits must be provided, including the signature page of the agreement to support indirect charges. A rate no higher than that approved under the ICR may be used to calculate indirect cost. Do not include indirect costs as cash match or as in-kind contributions. If the Lead or Service Center does not have an indirect cost rate agreement, please contact the project officer at the SBA district office.

*FY/CY 2011 PA, Section VI. B. 3. b., page 28 of 70*

The final report must include the SF-425 package which consists of the following:

- SBDC approved SF-425;
- Spreadsheet in support of the SF-425;
- Schedule of indirect cost reporting, Federal portion, and waived indirect on the SF-425;
- SBA Form 2113; and

- Spread sheet in support of the SBA Form 2113.

Note: The SBDC must report all recipient shares of outlays; cash, in-kind and waived portion of indirect. The waived portion of indirect cost should not be included for in-kind match.

**A8. Criteria for Reporting/Carryover Requests**

*FY/CY 2011 PA, Section IV. E. 2., p. 24 of 70*

The SBDC Lead Center Director may request approval to carry over an unexpended balance of federal funds to the next budget period. Carryover of unexpended funds is permissible only if the funds are to be used for a project or activity not included in the next year's SBDC agreement, is within the scope of the SBDC Program and the request is in the best interest of the Program. Funds should be expended in the year awarded; however, carryover requests will be considered on a case-by-case basis. Carryover requests must consist of the following: (1) SF-424, budget pages, and justification; (2) narrative indicating why the funds were not expended during the period in which they were awarded; (3) SBA District Office approval; and (4) evidence of match.

*13 CFR § 130.620(b)(6)*

The carryover from one budget period to the next budget period of unobligated, unexpended SBA funds allocable under the Cooperative Agreement to nonrecurring, nonseverable bona fide needs of the SBDC network as provided in applicable OMB Circulars and the annual Program Announcement.

*2011 NOA, paragraph 15.s.(1) – (3), p. 15 of 17*

**s. Administration of Carryover Funds**

- (1) The recipient agrees that use of carryover funds is subject to the terms and conditions of this award.
- (2) The Recipient must account for and report on expenditures of carryover funds separately from the current funding year allocation; however, no additional internal accounting treatments need to be applied to the prior year overmatch expenditures to be used as matching funds for this carryover beyond the standards applicable to the year in which the expenditures were made.
- (3) The Recipient must revise the prior year final SF 425, to exclude the overmatch expenditures being allocated as matching funds for a carryover.

**A7. Criteria for Reporting/Indirect Cost**

*2011 NOA, paragraph 8. e. (2) (b) ii., page 7 of 17*

Each financial report must include the SF-425 package, which consists of the following:

- a. SBDC approved SF-425, Federal Financial Report;
- b. SF-425, line 12 Remarks, indicate the amount of the Recipient share of outlays consisting of the following:
  - i. SBDC Network In-kind Match
  - ii. SBDC Network Waived Indirect Cost
  - iii. All SBDC Network Cash Match."

**A9. Criteria for Reporting/Matching Requirement**

*2 CFR § 215.2(i)*

*Cost sharing or matching* means that portion of project or program costs not borne by the Federal Government.

**A10. Criteria for Reporting/Matching Requirements**

*FY/CY 2011PA Section II. C., p. 11 of 70*

The organization receiving the Cooperative Agreement is required to match federal funding on a 1.1 ratio. Cash match in an amount not less than 50 percent of the federal funding is required. The remainder may be in the form of indirect and/or in-kind match. No portion of the match may be from federal sources (except applicable Community Development Block Grant funds). Program Income (i.e. fees collected from clients and/or attendees for training) is also excluded as a source of matching funds.

*13 CFR § 130.450(a)*

The recipient organization must provide total Matching Funds equal to the total amount of SBA funding. At least 50% of the Matching Funds must be Cash Match. The remaining 50% may be provided through any allowable combination of additional cash, in-kind contributions, or indirect costs.

**A11. Criteria for Reporting/Matching Requirements**

*13 CFR § 130.450(a)*

*Overmatched Amounts.* (1) SBDC are encouraged to furnish Overmatched Amounts.

- (2) An Overmatched Amount can be applied to additional Matching Funds requirements necessitated by any supplemental

	<p>funding increase received by the SBDC during the budget period, as long as the total Cash Match provided by the SBDC is 50% or more of the total SBA funds provided during the budget period.</p> <p>(3) If used in the manner described in paragraph (d)(2) of this section, such Overmatched Amount is reclassified as committed Matching Funds.</p> <p>(4) Allowable Overmatched Amounts which have not been used in the manner described in paragraph (d)(2) of this section may, with the approval of the AA/SBDCs, be used as a credit to offset any confirmed audit disallowances applicable only to the budget period in which the Overmatched Amount exists and the two previous budget periods. Such offsetting funds shall be considered Matching Funds. (GO TO Q11)</p> <p>A14. Criteria for Reporting/Matching Requirements for U.S. Protectorates <i>FY/CY 2011 PA, Section II. C.</i> (GO TO Q14)</p> <p>For protectorate areas – American Samoa, Guam and the US Virgin Islands - 48 USC Sec. 1469a requires the SBA to waive the match requirements on awards less than \$200,000 and further provides the discretion to waive match for awards exceeding \$200,000.</p>
A15	<p>Criteria for Reporting/Matching <i>2011 NOA, paragraph 8. e. (2) (b) iii., page 7 of 17</i></p> <p>(2) Each financial report <u>must</u> include the SF-425 package, which consists of the following:</p> <ul style="list-style-type: none"> <li>a. SBDC approved SF-425, Federal Financial Report;</li> <li>b. SF-425, line 12 Remarks, indicate the amount of the Recipient share of outlays consisting of the following: <ul style="list-style-type: none"> <li>i. SBDC Network In-kind Match</li> <li>ii. SBDC Network Waived Indirect Cost</li> <li>iii. All SBDC Network Cash Match</li> </ul> </li> </ul>
A20.	<p>Criteria for Reporting/SF-425 <i>2011 NOA, paragraph 8.e., pp. 7 &amp; 8 of 17</i></p> <p><b>Reporting Period for Quarterly and Semi-annual Reports</b></p> <p>The recipient agrees to submit quarterly or semi-annual reports determined by the number of years in the SBDC Program.</p> <ol style="list-style-type: none"> <li>1. Recipients that have been in the SBDC Program for <u>three years or less</u> must submit reports on a quarterly basis. Reports are due within 30 days after the completion of each quarter month of operation. The annual report is due no later than 90 days after the end of the budget period.</li> <li>2. Recipients that have been in the SBDC Program for <u>over three years</u> must submit reports semiannually. The first report is due within 30 days after the completion of 6-months of operation. The second semiannual report is due within 90 days after the end of the budget period.</li> </ol> <p><i>FY/CY 2011 PA, Section VI. B. 3.b., p. 28 of 70</i></p> <p>New SBDC Lead Centers: required to report 30 days after the close of each quarter for the first three years of operation with the exception of the final report which is due 90 days after the completion of the budget period. Centers in existence over three years are only required to report semi-annually.</p>
A21.	<p>Criteria for Reporting/SF-425 <i>FY/CY 2011 PA, Section VI. B. 3. b., p. 28 of 70</i></p> <p><b>“Federal Financial Report, SF-425</b></p> <p>Lead Centers must submit: Financial Report (Standard Form 425). An original report, signed by the authorized representative of the recipient organization, must be submitted to their respective SBA Project Officer in the SBA District Office. The SBDC Lead Center must electronically submit the report via email in PDF format or facsimile to the Grants Management Specialist in the OSBDC at SBA Headquarters. A recipient’s failure to comply with this p. in a timely manner can result in delayed processing of payment requests.</p> <p>New SBDC Lead Centers: required to report 30 days after the close of each quarter for the first three years of operation with the exception of the final report which is due 90 days after the completion of the budget period. Centers in existence over three years are only required to report semi-annually.</p>

The final report must include the SF-425 package which consists of the following:

- SBDC approved SF-425;
- Spreadsheet in support of the SF-425;
- Schedule of indirect cost reporting, Federal portion, and waived indirect on the SF-425;
- SBA Form 2113;
- Spread sheet in support of the SBA Form 2113; and

Note: The SBDC must report all recipient shares of outlays; cash, in-kind and waived portion of indirect. The waived portion of indirect cost should not be included for in-kind match.

The SBDC must report all unliquidated obligations (if any) on form 425 and obligations must be liquidated no later than 180 days after the end of the budget period. The total amount of unliquidated obligations must include the following:

Recipient share - Cash match disbursements and non-cash indirect match.

Federal share – Federal direct disbursements and indirect claimed as federal reimbursement.

2011 NOA, paragraph 8.e., pp. 7 & 8 of 17.

e. Financial Reports

The SBDC Lead Center must submit: Federal Financial Report (Standard Form 425) to indicate the disbursement information and status of program funds, this includes both federal and non-federal funds as well as Program Income. An original report, signed by the authorized representative of the recipient organization, must be submitted to their respective SBA Project Officer in the cognizant SBA District Office. The SBDC Lead Center must electronically submit a copy of the report via email in PDF format or facsimile to the Grants Management Specialist and Program Manager in the OSBDC at SBA Headquarters. Failure to comply with this p. may result in delayed processing of payment requests.

- (1) The SBDC must maintain an updated list of funding sources and amounts for each source of funds received by the SBDC network (including grants, contracts, and contributions.) Additionally, the following must be maintained and made available during the biennial examination process:
  - a. a spreadsheet in support of the SF-425 (reporting Lead center and service center disbursements, account numbers and the network expenditures --Federal, cash and in-kind), and
  - b. for each source of funds, documentation of the name and phone number of the donor/contractor/grantor, the amount of funding, the intended purpose, and any requirements, stipulations, or deliverables.
- (2) Each financial report must include the SF-425 package, which consists of the following:
  - a. SBDC approved SF-425, Federal Financial Report;
  - b. SF-425, line 12 Remarks, indicate the amount of the Recipient share of outlays consisting of the following:
    - i. SBDC Network In-kind Match
    - ii. SBDC Network Waived Indirect Cost
    - iii. All SBDC Network Cash Match

The recipient may attach sheets for additional space or use the SF-425 Spreadsheet to support costs reflected.

Refer to the SBDC forms website [http://www.sba.gov/aboutsba/sbaprograms/sbdc/funding/sbdc\\_forms.html](http://www.sba.gov/aboutsba/sbaprograms/sbdc/funding/sbdc_forms.html)

- (3) Schedule of indirect cost reporting Federal portion and waived indirect on the SF-425;
- (4) SBA Form 2113-Program Income and worksheet
- (5) A comparison of actual financial expenditures by budget cost categories to the approved-budget contained in this Cooperative Agreement. Refer to p. below, Annual Report.
- (6) The SBDC must report all unliquidated obligations (if any) on form 425 (FFR) and obligations must be liquidated no later than 180-days after the end of the budget period. Reimbursement of payments will be made through March 31 for Fiscal Year awards and June 30 for Calendar Year awards. A revised final FFR must be submitted within 30 calendar days and must indicate the final expenditures and unobligated balance of federal funds (if any). Reimbursement requests for disbursements which occur subsequent to the 180-days closing period may not be claimed and will not be approved by SBA.

A23. Criteria for Reporting/ Spreadsheet in support of the SF-425

FY/CY 2011 PA, Section VI. B. 5. d., pp. 36 & 37 of 70, provides the standards for reporting documentation as follows:

An SBDC must maintain the documentation for year-end Standard Form 425 financial report as required by OMB Circulars and SBA Regulations. SBDC Lead Centers and Service Centers which manage other non-SBDC funds (i.e. not included in the proposal or SBA Cooperative Agreement) must maintain separate ledgers and transaction journals for the SBDC financial activity to ensure a clear audit trail of the financial resources used under the SBDC Cooperative Agreement as required by 2 CFR Part 215 (OMB Circular A-110) and CFR § 143.20. SBDC expenditures of federal, matching and Program Income must be accounted for separately from other center resources. In addition, funds must be identifiable to the program year for which they were provided. Funds that were approved as a “carryover” from a previous program year also must be maintained and reported separately. SBDCs must maintain support documents for SBA Form 2113 and SF-425s. This support should consist of at a minimum:

- A spreadsheet which acts as reconciliation between the SF-425 and the disbursement journals at the Lead Center and Service Center(s). This applies to the Lead Center only.
- Support for all charges to the Cooperative Agreement, but not limited to the disbursement ledger, vendor invoices, canceled checks and journal entries
- The expense reimbursement invoices submitted from the Service Centers and any related supporting documentation (i.e., disbursement ledgers, comparison of actual to budgeted expenditures) (This applies to Lead Center only.)
- Any agreement(s) related to matching costs
- Support for Program Income receipts and expenditures including receipt and disbursement journals
- Salary and wage records for SBDC employees charged to the Cooperative Agreement (Both Recipients and sub-recipients must maintain the appropriate standard 2 CFR Part 220, 2 CFR Part 230, or 2 CFR 225 {Circular A-21, OMB Circular A-122, or OMB Circular A-87} to document costs for full-time and part-time personnel allocated to the program. This may include, but is not limited to: Time and Effort Certification, appointment letters or contracts, performance reviews, payroll journals and/or activity reports. The records should be incorporated into the official records of the institution).

*2011 NOA, paragraph 8. e. (1) a., p. 7 of 17.*

a spreadsheet in support of the SF-425 (reporting Lead center and service center disbursements, account numbers and the network expenditures --Federal, cash and in-kind),

A24. Criteria for Reporting/Reimbursement Invoices

*2011 NOA incorporates 2 CFR § 215.21 (b)(1) reference and states:*

Recipients’ financial management systems shall provide for accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in §215.52.

*2011 NOA incorporates 2 CFR § 215.21 (b)(2) reference and states:*

Recipients’ financial management systems shall provide for records that identify adequately the source and application funds for federally-sponsored activities.

*2011 NOA incorporates 2 CFR § 215.21 (b)(3) reference and states:*

Recipients’ financial management systems shall provide for effective control over and accountability for all funds, property and other assets.

A22. Criteria for Reporting/Documents for Reconciliation

Per FY/CY 2011 PA, Section VI. B. 5. d., pp. 36 & 37 of 70

(GO TO A20)

*2011 NOA, paragraph 8, page 6 of 17*

The Recipient agrees to maintain, and to require its SBDC Lead Center and Service Centers to maintain, complete and accurate records and supporting documentation to facilitate financial and/or program audits. The Recipient SBDC Network must furnish such records, including current financial statements, indirect cost rate agreements and agreements for matching funds, examinations and reviews to the SBA upon request. The SBA may request copies of supporting documents used to prepare reports for SBA as required by the program announcement, Section VI, B. REPORTING.

A26. Criteria for Reporting/Deliverables

*2011 NOA, paragraph 8.e., p. 7 of 17, entitled Reporting and Recordkeeping Requirements/Financial Reports.*

#### Financial Reports

The SBDC Lead Center must submit: Federal Financial Report (Standard Form 425) to indicate the disbursement information and status of program funds, this includes both federal and non-federal funds as well as Program Income. An original report, signed by the authorized representative of the recipient organization, must be submitted to their respective SBA Project Officer in the cognizant SBA District Office. The SBDC Lead Center must electronically submit a copy of the report via email in PDF format or facsimile to the Grants Management Specialist and Program Manager in the OSBDC at SBA Headquarters. Failure to comply with this paragraph may result in delayed processing of payment requests.

- (1) The SBDC must maintain an updated list of funding sources and amounts for each source of funds received by the SBDC network (including grants, contracts, and contributions.) Additionally, the following must be maintained and made available during the biennial examination process:
  - a. a spreadsheet in support of the SF-425 (reporting Lead center and service center disbursements, account numbers and the network expenditures --Federal, cash and in-kind), and
  - b. for each source of funds, documentation of the name and phone number of the donor/contractor/grantor, the amount of funding, the intended purpose, and any requirements, stipulations, or deliverables.
- (2) Each financial report must include the SF-425 package, which consists of the following:
  - a. SBDC approved SF-425, Federal Financial Report;
  - b. SF-425, line 12 Remarks, indicate the amount of the Recipient share of outlays consisting of the following:
    - i. SBDC Network In-kind Match
    - ii. SBDC Network Waived Indirect Cost
    - iii. All SBDC Network Cash Match

The recipient may attach sheets for additional space or use the SF-425 Spreadsheet to support costs reflected. Refer to the SBDC forms website [http://www.sba.gov/aboutsba/sbaprograms/sbdc/funding/sbdc\\_forms.html](http://www.sba.gov/aboutsba/sbaprograms/sbdc/funding/sbdc_forms.html)

- (3) Schedule of indirect cost reporting Federal portion and waived indirect on the SF-425;
- (4) SBA Form 2113-Program Income and worksheet
- (5) A comparison of actual financial expenditures by budget cost categories to the approved-budget contained in this Cooperative Agreement. Refer to paragraph below, Annual Report.
- (6) The SBDC must report all unliquidated obligations (if any) on form 425 (FFR) and obligations must be liquidated no later than 180-days after the end of the budget period. Reimbursement of payments will be made through March 31 for Fiscal Year awards and June 30 for Calendar Year awards. A revised final FFR must be submitted within 30 calendar days and must indicate the final expenditures and unobligated balance of federal funds (if any). Reimbursement requests for disbursements which occur subsequent to the 180-days closing period may not be claimed and will not be approved by SBA.

A28. Criteria for Service Center Monitoring:

*13 CFR § 130.350(b) is incorporated into the notice of award (2011 NOA) and program announcement (PA) by reference and says the following:*

*Responsibilities of SBDC Directors.* The SBDC Director shall direct and monitor program activities and financial affairs of the SBDC network to deliver effective services to the small business community, comply with applicable laws, regulations, OMB Circulars, and Executive Orders.

*2 CFR § 215.21(b)(6) states:*

Recipients' financial management systems shall provide for written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and terms and conditions of the award.

*FY/CY 2011 PA, Section VI., B. 3. b., page 28 of 70 states that:*

The SBDC must report all recipient shares of outlays; cash, in-kind and waived portion of indirect.

A29. Criteria for Service Center Monitoring

*2011 NOA, paragraph 8, p. 6 of 17*

Recipient agrees to maintain, and to require its SBDC Lead Center and Service Centers to maintain, complete and accurate records and supporting documentation to facilitate financial and/or program audits. The Recipient SBDC Network must furnish such records, including current financial statements, indirect cost rate agreements and agreements for matching funds, examinations and reviews to the SBA upon request.

*2 CFR § 215.21(b)(6) states:*

Recipients' financial management systems shall provide for written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and terms and conditions of the award."

A31. Criteria for Cash Disbursements/Cash Match

*13 CFR § 130.110. Definition/ Cash Match*

*Cash Match.* Non-Federal funds allocated specifically to the operation of the SBDC network equaling no less than fifty percent of the Federal funds. Cash Match includes direct costs committed by the applicant or recipient organization and sponsoring SBDC organizations, to the extent that such costs are committed as part of the verified, specific, line item direct costs prior to funding. Cash Match does not include indirect costs, overhead costs or in-kind contributions.

A33. Criteria for Cash Disbursement/ Cash Match

*FY/CY 2011 PA, p. 11 of 70*

The organization receiving the Cooperative Agreement is required to match federal funding on a 1.1 ratio. Cash match in an amount not less than 50 percent of the federal funding is required. The remainder may be in the form of indirect and/or in-kind match. No portion of the match may be from federal sources (except applicable Community Development Block Grant funds). Program Income (i.e. fees collected from clients and/or attendees for training) is also excluded as a source of matching funds. For protectorate areas – American Samoa, Guam and the US Virgin Islands - 48 USC Sec. 1469a requires the SBA to waive the match requirements on awards less than \$200,000 and further provides the discretion to waive match for awards exceeding \$200,000.

*13 CFR § 130.450 Matching funds*

(a) The recipient organization must provide total Matching Funds equal to the total amount of SBA funding. At least 50% of the Matching Funds must be Cash Match. The remaining 50% may be provided through any allowable combination of additional cash, in-kind contributions, or indirect costs.

(b) All sources of Matching Funds must be identified as specifically as possible in the budget proposal. Cash sources shall be identified by name and account. All applicants must submit a Certification of Cash Match and Program Income executed by an authorized official of the recipient organization or any sponsoring SBDC organization providing Cash Match through a subcontract agreement. The account containing such cash must be under the direct management of the SBDC Director, or, if provided by a sponsoring SBDC organization, its sub-center Director. If a political entity is providing such cash and the funds have not been appropriated prior to issuance of the Cooperative Agreement, the recipient organization must certify that sufficient funds will be available from the political entity prior to the use of Federal dollars.

(c) The Grants Management Specialist is responsible for determining whether Matching Funds or Cash Match meet the

requirements of the Act and appropriate OMB circulars.

(d) Over-matched Amounts. (1) SBDCs are encouraged to furnish Over-matched Amounts.

(2) An Over-matched Amount can be applied to additional Matching Funds requirements necessitated by any supplemental funding increase received by the SBDC during the budget period, as long as the total Cash Match provided by the SBDC is 50% or more of the total SBA funds provided during the budget period.

(3) If used in the manner described in p. (d) (2) of this section, such Over-matched Amount is reclassified as committed Matching Funds.

A34. Criteria for Cash Disbursements/definition of salaries and wages

A35. Criteria for Cash Disbursements/compensation for personal services (i.e. salaries, wages, and fringe benefits)

*2011 NOA incorporates 2 CFR § 220, Appendix A. J. 10, Compensation for personal services, Section b (i.e. OMB Circular A-21) — Principles for determining costs applicable to grants, contracts, and other agreements with educational institutions.*

10. Compensation for personal services.

a. General. Compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts include salaries, wages, and fringe benefits (see subsection J.10.f of this Appendix). These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements and for other work allocable as F&A costs are determined and supported as provided below. Charges to sponsored agreements may include reasonable amounts for activities contributing and intimately related to work under the agreements, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences. Incidental work (that in excess of normal for the individual), for which supplemental compensation is paid by an institution under institutional policy, need not be included in the payroll distribution systems described below, provided such work and compensation are separately identified and documented in the financial management system of the institution.

b. Payroll distribution.

(1) General Principles.

(a) The distribution of salaries and wages, whether treated as direct, or F&A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. Institutions may include in a residual category all activities that are not directly charged to sponsored agreements, and that need not be distributed to more than one activity for purposes of identifying F&A costs and the functions to which they are allocable. The components of the residual category are not required to be separately documented. (GO TO Q34)

(b) The apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods which will—

(1) Be in accordance with Sections A.2 and C of this Appendix;

(2) Produce an equitable distribution of charges for employee's activities; and

(3) Distinguish the employees' direct activities from their F&A activities.

(c) In the use of any methods for apportioning salaries, it is recognized that, in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.

(d) There is no single best method for documenting the distribution of charges for personal services. Methods for apportioning salaries and wages, however, must meet the Criteria: specified in subsection J.10.b. (2) of this Appendix. Examples of acceptable methods are contained in subsection c. Other methods that meet the Criteria: specified in subsection J.10.b.(2) of this Appendix also shall be deemed acceptable, if a mutually satisfactory alternative agreement is reached.

(2) Criteria for Acceptable Methods.

(a) The payroll distribution system will be incorporated into the official records of the institution; reasonably reflect the activity for which the employee is compensated by the institution; and encompass both sponsored and all other activities on an integrated basis, but may include the use of subsidiary records. (Compensation for incidental work described in subsection a need not be included.)

(b) The method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent

actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and F&A cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Confirmation by the employee is not a requirement for either direct, or F&A cost activities if other responsible persons make appropriate confirmations.

(c) The payroll distribution system will allow confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&A costs and the functions to which they are allocable. The activities chargeable to F&A cost categories or the major functions of the institution for employees whose salaries must be apportioned (see subsection J.10.b.(1)(b) of this Appendix), if not initially identified as separate categories, may be subsequently distributed by any reasonable method mutually agreed to, including, but not limited to, suitably conducted surveys, statistical sampling procedures, or the application of negotiated fixed rates.

(d) Practices vary among institutions and within institutions as to the activity constituting a full workload. Therefore, the payroll distribution system may reflect categories of activities expressed as a percentage distribution of total activities.

(e) Direct and F&A charges may be made initially to sponsored agreements on the basis of estimates made before services are performed. When such estimates are used, significant changes in the corresponding work activity must be identified and entered into the payroll distribution system. Short-term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period.

(f) The system will provide for independent internal evaluations to ensure the system's effectiveness and compliance with the above standards.

(g) For systems which meet these standards, the institution will not be required to provide additional support or documentation for the effort actually performed.

c. Examples of Acceptable Methods for Payroll Distribution:

(1) Plan-Confirmation: Under this method, the distribution of salaries and wages of professorial and professional staff applicable to sponsored agreements is based on budgeted, planned, or assigned work activity, updated to reflect any significant changes in work distribution. A plan-confirmation system used for salaries and wages charged directly or indirectly to sponsored agreements will meet the following standards:

(a) A system of budgeted, planned, or assigned work activity will be incorporated into the official records of the institution and encompass both sponsored and all other activities on an integrated basis. The system may include the use of subsidiary records.

(b) The system will reasonably reflect only the activity for which the employee is compensated by the institution (compensation for incidental work described in subsection a need not be included). Practices vary among institutions and within institutions as to the activity constituting a full workload. Hence, the system will reflect categories of activities expressed as a percentage distribution of total activities. (See Section H of this Appendix for treatment of F&A costs under the simplified method for small institutions.)

(c) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable. The system may treat F&A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subsection J.10.c.(2)(c) of this Appendix.

(d) The system will provide for modification of an individual's salary or salary distribution commensurate with a significant change in the employee's work activity. Short-term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period.

Whenever it is apparent that a significant change in work activity that is directly or indirectly charged to sponsored agreements will occur or has occurred, the change will be documented over the signature of a responsible official and entered into the system.

(e) At least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, F&A cost or other categories are reasonable in relation to work performed.

(f) The system will provide for independent internal evaluation to ensure the system's integrity and compliance with the above standards.

(g) In the use of this method, an institution shall not be required to provide additional support or documentation for the effort actually performed.

(2) After-the-fact Activity Records: Under this system the distribution of salaries and wages by the institution will be supported by activity reports as prescribed below.

(a) Activity reports will reflect the distribution of activity expended by employees covered by the system (compensation for

incidental work as described in subsection a need not be included).

(b) These reports will reflect an after-the-fact reporting of the percentage distribution of activity of employees. Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records.

(c) Reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.

(d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable. The system may treat F&A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subsection J.10.b.(2)(c) of this Appendix.

(e) For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

(f) Where the institution uses time cards or other forms of after-the-fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose, provided that they meet the requirements in subsections J.10.c.(2)(a) through (e) of this Appendix.

(3) Multiple Confirmation Records: Under this system, the distribution of salaries and wages of professorial and professional staff will be supported by records which certify separately for direct and F&A cost activities as prescribed below.

(a) For employees covered by the system, there will be direct cost records to reflect the distribution of that activity expended which is to be allocable as direct cost to each sponsored agreement. There will also be F&A cost records to reflect the distribution of that activity to F&A costs. These records may be kept jointly or separately (but are to be certified separately, see below).

(b) Salary and wage charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences occur.

(c) Institutional records will reasonably reflect only the activity for which employees are compensated by the institution (compensation for incidental work as described in subsection a need not be included).

(d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable.

(e) To confirm that distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the record for each employee will include:

(1) The signature of the employee or of a person having direct knowledge of the work, confirming that the record of activities allocable as direct costs of each sponsored agreement is appropriate; and,

(2) The record of F&A costs will include the signature of responsible person(s) who use suitable means of verification that the work was performed and is consistent with the overall distribution of the employee's compensated activities. These signatures may all be on the same document.

(f) The reports will be prepared each academic term, but no less frequently than every six months.

(g) Where the institution uses time cards or other forms of after-the-fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose, provided they meet the requirements in subsections J.10.c.(3)(a) through (f) of this Appendix.

d. Salary rates for faculty members.

(1) Salary rates for academic year. Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member's regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution. Since intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full-time base salary, the principle also applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation

above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency.

(2) Periods outside the academic year.

(a) Except as otherwise specified for teaching activity in subsection J.10.d.(2)(b) of this Appendix, charges for work performed by faculty members on sponsored agreements during the summer months or other period not included in the base salary period will be determined for each faculty member at a rate not in excess of the base salary divided by the period to which the base salary relates, and will be limited to charges made in accordance with other parts of this section. The base salary period used in computing charges for work performed during the summer months will be the number of months covered by the faculty member's official academic year appointment.

(b) Charges for teaching activities performed by faculty members on sponsored agreements during the summer months or other periods not included in the base salary period will be based on the normal policy of the institution governing compensation to faculty members for teaching assignments during such periods.

(3) Part-time faculty. Charges for work performed on sponsored agreements by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for the part-time assignments. For example, an institution pays \$5000 to a faculty member for half-time teaching during the academic year. He devoted one-half of his remaining time to a sponsored agreement. Thus, his additional compensation, chargeable by the institution to the agreement, would be one-half of \$5000, or \$2500.

e. Non-institutional professional activities. Unless an arrangement is specifically authorized by a Federal sponsoring agency, an institution must follow its institution-wide policies and practices concerning the permissible extent of professional services that can be provided outside the institution for non-institutional compensation. Where such institution-wide policies do not exist or do not adequately define the permissible extent of consulting or other non-institutional activities undertaken for extra outside pay, the Federal Government may require that the effort of professional staff working on sponsored agreements be allocated between institutional activities, and non-institutional professional activities. If the sponsoring agency considers the extent of non-institutional professional effort excessive, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

g. Institution-furnished automobiles.

That portion of the cost of institution-furnished automobiles that relates to personal use by employees (including transportation to and from work) is unallowable regardless of whether the cost is reported as taxable income to the employees.

h. Severance pay.

(1) Severance pay is compensation in addition to regular salary and wages which are paid by an institution to employees whose services are being terminated. Costs of severance pay are allowable only to the extent that such payments are required by law, by employer-employee agreement, by established policy that constitutes in effect an implied agreement on the institution's part, or by circumstances of the particular employment.

(2) Severance payments that are due to normal recurring turnover and which otherwise meet the conditions of subsection J.10.h.(1) of this Appendix may be allowed provided the actual costs of such severance payments are regarded as expenses applicable to the current fiscal year and are equitably distributed among the institution's activities during that period.

(3) Severance payments that are due to abnormal or mass terminations are of such conjectural nature that allowability must be determined on a case-by-case basis. However, the Federal Government recognizes its obligation to participate, to the extent of its fair share, in any specific payment.

(4) Costs incurred in excess of the institution's normal severance pay policy applicable to all persons employed by the institution upon termination of employment are unallowable.

2011 NOA incorporates 2 CFR § 225, Appendix B. 8. (i.e. OMB Circular A-87) — *Cost Principles for State, Local, and Indian Tribal Governments.*

8. *Compensation for personal services.*

a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;

(2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other

requirements required by Federal law, where applicable; and

(3) Is determined and supported as provided in subsection h.

b. Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit. In cases where the kinds of employees required for Federal awards are not found in the other activities of the governmental unit, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

c. Unallowable costs. Costs which are unallowable under other sections of these principles shall not be allowable under this section solely on the basis that they constitute personnel compensation.

d. Fringe benefits.

(1) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit-employee agreement, or an established policy of the governmental unit.

(2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: They are provided under established written leave policies; the costs are equitably allocated to all related activities, including Federal awards; and, the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.

(3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.

(4) The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Government Auditing Standards (GAGAS) exists when the leave is earned. When a governmental unit uses the accrual basis of accounting, in accordance with GAGAS, allowable leave costs are the lesser of the amount accrued or funded.

(5) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.

e. Pension plan costs. Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.

(1) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) Pension costs calculated using an actuarial cost-based method recognized by GAGAS are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the governmental unit's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the pension fund.

(3) Amounts funded by the governmental unit in excess of the actuarially determined amount for a fiscal year may be used as the governmental unit's contribution in future periods.

(4) When a governmental unit converts to an acceptable actuarial cost method, as defined by GAGAS, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion shall be allowable if amortized over a period of years in accordance with GAGAS.

(5) The Federal Government shall receive an equitable share of any previously allowed pension costs (including earnings thereon)

which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.

f. Post-retirement health benefits. Post-retirement health benefits (PRHB) refers to costs of health insurance or health services not included in a pension plan covered by subsection 8.e. of this appendix for retirees and their spouses, dependents, and survivors. PRHB costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.

(1) For PRHB financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) PRHB costs calculated using an actuarial cost method recognized by GAGAS are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursements and the governmental unit's contributions to the PRHB fund. Adjustments may be made by cash refund, reduction in current year's PRHB costs, or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the PRHB fund.

(3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the government's contribution in a future period.

(4) When a governmental unit converts to an acceptable actuarial cost method and funds PRHB costs in accordance with this method, the initial unfunded liability attributable to prior years shall be allowable if amortized over a period of years in accordance with GAGAS, or, if no such GAGAS period exists, over a period negotiated with the cognizant agency.

(5) To be allowable in the current year, the PRHB costs must be paid either to:

(a) An insurer or other benefit provider as current year costs or premiums, or

(b) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

(6) The Federal Government shall receive an equitable share of any amounts of previously allowed post-retirement benefit costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.

g. Severance pay.

(1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by law, employer-employee agreement, or established written policy.

(2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.

(3) Abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant Federal agency.

h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(a) More than one Federal award,

(b) A Federal award and a non-Federal award,

(c) An indirect cost activity and a direct cost activity,

(d) Two or more indirect activities which are allocated using different allocation bases, or

- (e) An unallowable activity and a direct or indirect cost activity.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
  - (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
  - (b) They must account for the total activity for which each employee is compensated,
  - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
  - (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
  - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
  - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
  - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.
- (6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.
  - (a) Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:
    - (i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection 8.h.(6)(c) of this appendix;
    - (ii) The entire time period involved must be covered by the sample; and
    - (iii) The results must be statistically valid and applied to the period being sampled.
  - (b) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.
  - (c) Less than full compliance with the statistical sampling standards noted in subsection 8.h.(6)(a) of this appendix may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.
  - (7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

- A36. Criteria for cash disbursements/personnel
- A37. Criteria for cash disbursements/personnel/source document
- A38. Criteria for cash disbursements/personnel/source document
- A40. Criteria for cash disbursement/fringe benefits/source document

*PA Section VI. B. 5. d., p. 37 of 70*

Salary and wage records for SBDC employees charged to the Cooperative Agreement (Both Recipients and sub-recipients must maintain the appropriate standard 2 CFR Part 220, 2 CFR Part 230, or 2 CFR 225 (Circular A-21, OMB Circular A-122, or OMB Circular A-87) to document costs for full-time and part-time personnel allocated to the program. This may include, but is not limited to: Time and Effort Certification, appointment letters or contracts, performance reviews, payroll journals and/or activity reports. The records should be incorporated into the official records of the institution.)”

- A39. Criteria for fringe benefits

*2 CFR § 220, Appendix A. J. 10*

f. Fringe benefits.

- (1) Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, military leave, and the like, are allowable, provided such costs are distributed to all institutional

activities in proportion to the relative amount of time or effort actually devoted by the employees. See subsection J.11.f.(4) of this Appendix for treatment of sabbatical leave.

(2) Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, tuition or remission of tuition for individual employees are allowable, provided such benefits are granted in accordance with established educational institutional policies, and are distributed to all institutional activities on an equitable basis. Tuition benefits for family members other than the employee are unallowable for fiscal years beginning after September 30, 1998. See Section J.45.b, Scholarships and student aid costs, of this Appendix for treatment of tuition remission provided to students.

(3) Rules for pension plan costs are as follows:

(a) Costs of the institution's pension plan which are incurred in accordance with the established policies of the institution are allowable, provided such policies meet the test of reasonableness, the methods of cost allocation are equitable for all activities, the amount of pension cost assigned to each fiscal year is determined in accordance with subsection (b), and the cost assigned to a given fiscal year is paid or funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.

(b) The amount of pension cost assigned to each fiscal year shall be determined in accordance with Generally Accepted Government Auditing Standards principles. Institutions may elect to follow the "Cost Accounting Standard for Composition and Measurement of Pension Cost" (48 Part 9904-412).

(c) Premiums paid for pension plan termination insurance pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are allowable. Late payment charges on such premiums are unallowable. Excise taxes on accumulated funding deficiencies and prohibited transactions of pension plan fiduciaries imposed under ERISA are also unallowable.

(4) Rules for sabbatical leave are as follows:

(a) Costs of leave of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the institution has a uniform policy on sabbatical leave for persons engaged in instruction and persons engaged in research. Such costs will be allocated on an equitable basis among all related activities of the institution.

(b) Where sabbatical leave is included in fringe benefits for which a cost is determined for assessment as a direct charge, the aggregate amount of such assessments applicable to all work of the institution during the base period must be reasonable in relation to the institution's actual experience under its sabbatical leave policy.

(5) Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of institution-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the institution demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees. Fringe benefits shall be treated in the same manner as the salaries and wages of the employees receiving the benefits. The benefits related to salaries and wages treated as direct costs shall also be treated as direct costs; the benefits related to salaries and wages treated as F&A costs shall be treated as F&A costs.

2 CFR § 225, Appendix B. 8; and 2 CFR § 230, Appendix B. 8

8. Compensation for personal services. a. Definition. Compensation for personal services includes all compensation paid currently or accrued by the organization for services of employees rendered during the period of the award (except as otherwise provided in subparagraph 8.h of this appendix). It includes, but is not limited to, salaries, wages, director's and executive committee member's fees, incentive awards, *fringe benefits*, pension plan costs, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost of living differentials.

- A41. Criteria for Cash Disbursement/Travel/definition
- A42. Criteria for Cash Disbursement/Travel/types
- A43. Criteria for Cash Disbursement/Travel/local
- A44. Criteria for Cash Disbursement/Travel/management of  
*FY/CY 2011 PA, Section IV. E. 1. Travel, p 22 of 70*

The budget proposal must include a description of the out-of-state (region) travel proposed, indicating estimated costs, number of persons traveling, and purpose of travel.

All travel performed as part of this Agreement must be in accordance with SBDC Program objectives and in compliance with the Recipient's travel policy and governed by 2 CFR Part 220 (OMB Circular A-21), 2 CFR Part 230 (OMB Circular A-122), or 2 CFR Part 225 (OMB Circular A-87), as applicable. (Refer to Section VIII - Advance Understandings for prior approval requirements governing out-of-country travel.)

- A45. Criteria for Cash Disbursement/Travel/unanticipated out-of-state  
*FY/CY 2011 PA, Section VIII. B. 3., p. 45 of 70*

The travel charged to the Cooperative Agreement must be in accordance with provisions of the grant and utilized in conformance with 13 CFR 130.460(g), and will be used under the same formula for travel reimbursement as provided by the host institution. Award funds are not available for the payment of per diem, lodging, meals or other subsistence expenses associated with local travel. However, award funds may be used to pay transportation expenses for local travel.

SBDCs are authorized to include a certain amount of funds in the proposal for "unanticipated" travel. Unanticipated travel is defined as "travel which is necessary to further SBDC objectives, but for which a complete description and/or justification could not be provided in the proposal." Requests for out-of-state travel exceeding the amount approved in the proposal must be submitted for prior approval to the SBA Project Officer. SBDCs are required to notify the SBA Project Officer of any unanticipated (not in the approved budget) out-of-state travel and report after the fact in the quarterly or annual report.

Travel funds are authorized for the SBDC Lead Center Director and/or his/her designee to attend two Association of Small Business Development Center meetings per year. Travel funds may also be authorized for additional SBDC staff to attend meetings designed for professional development purposes. Further, one trip per year, as approved by the AA/OSBDC, is authorized to allow the SBDC Lead Center Director and/or his/her designee to meet with national SBA officials to discuss local program initiatives.

Travel outside the United States and its territories which is either: (1) charged to the Cooperative Agreement; or (2) performed while on duty for the Recipient organization must be submitted to the District Director who shall submit a recommendation to the AA/OSBDC or his/her designee for prior approval on a case-by-case basis. (Travel to be completed using vacation time regularly earned is not subject to approval by the AA/OSBDC.) Failure to obtain this approval may result in suspension or termination of funding. (GO TO Q45)

*2 CFR § 220 Appendix J.53*

a. General.

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the institution's non-federally-sponsored activities.

b. Lodging and subsistence.

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy. In the absence of an acceptable, written institution policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205-46(a)). (GO TO Q45)

c. Commercial air travel.

(1) Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would:

- (a) Require circuitous routing;
  - (b) Require travel during unreasonable hours;
  - (c) Excessively prolong travel;
  - (d) Result in additional costs that would offset the transportation savings; or
  - (e) Offer accommodations not reasonably adequate for the traveler's medical needs. The institution must justify and document these conditions on a case-by-case basis in order for the use of first-class airfare to be allowable in such cases.
- (2) Unless a pattern of avoidance is detected, the Federal Government will generally not question an institution's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the institution can demonstrate either of the following:
- (a) That such airfare was not available in the specific case; or
  - (b) That it is the institution's overall practice to make routine use of such airfare.
- d. Air travel by other than commercial carrier.

Costs of travel by institution-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of allowable commercial air travel, as provided for in subsection J.53.c. of this Appendix, is unallowable. (GO TO Q45)

*CFR § 225 Appendix J.51*

a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-profit organization. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-profit organization's non-federally-sponsored activities.

b. Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the non-profit organization in its regular operations as the result of the non-profit organization's written travel policy. In the absence of an acceptable, written non-profit organization policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under Federal awards (48 CFR 31.205-46(a)).

c. Commercial air travel. (1) Airfare costs in excess of the customary standard (1) commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would: require circuitous routing; require travel during unreasonable hours; excessively prolong travel; result in additional costs that would offset the transportation savings; or offer accommodations not reasonably adequate for the traveler's medical needs. The non-profit organization must justify and document these conditions on a case-by-case basis in order for the use of first-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal Government will generally not question a non-profit organization's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-profit organization can demonstrate either of the following: that such airfare was not available in the specific case; or that it is the non-profit organization's overall practice to make routine use of such airfare.

d. Air travel by other than commercial carrier. Costs of travel by non-profit organization-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of allowable commercial air travel, as provided for in subp.] c., is unallowable.

e. Foreign travel. Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip must receive such approval. For purposes of this provision, "foreign travel" includes any travel outside Canada, Mexico, the United States, and any United States territories and possessions. However, the term "foreign travel" for a non-profit organization located in a foreign country means travel outside that country.

52. Trustees. Travel and subsistence costs of trustees (or directors) are allowable. The costs are subject to restrictions regarding lodging, subsistence and air travel costs provided in p. 51 of this appendix. (GO TO Q45)

*2 CFR 230 Appendix J.43*

a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are

in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the governmental unit's non-federally-sponsored activities. Notwithstanding the provisions of section 19 of this appendix, General government expenses, travel costs of officials covered by that section are allowable with the prior approval of an awarding agency when they are specifically related to Federal awards.

b. Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the governmental unit in its regular operations as the result of the governmental unit's written travel policy. In the absence of an acceptable, written governmental unit policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under Federal awards (48 CFR 31.205-46(a)).

c. Commercial air travel.

(1) Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would:

- (a) Require circuitous routing;
- (b) Require travel during unreasonable hours;
- (c) Excessively prolong travel;
- (d) Result in additional costs that would offset the transportation savings; or
- (e) Offer accommodations not reasonably adequate for the traveler's medical needs. The governmental unit must justify and document these conditions on a case-by-case basis in order for the use of first-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal Government will generally not question a governmental unit's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the governmental unit can demonstrate either of the following:

- (aa) That such airfare was not available in the specific case; or
- (b) That it is the governmental unit's overall practice to make routine use of such airfare.

d. Air travel by other than commercial carrier. Costs of travel by governmental unit-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of allowable commercial air travel, as provided for in subsection 43.c. of this appendix, is unallowable.

e. Foreign travel. Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip must receive such approval. For purposes of this provision, "foreign travel" includes any travel outside Canada, Mexico, the United States, and any United States territories and possessions. However, the term "foreign travel" for a governmental unit located in a foreign country means travel outside that country.

A45.	Criteria for Cash Disbursements/Travel	(GO TO Q45)
A46.	Criteria for Cash Disbursements/Travel/change of scope	(GO TO Q46)
A47.	Criteria for Cash Disbursements/Travel/justification	(GO TO Q47)
A48.	Criteria for Cash Disbursement/Travel/source documents	(GO TO Q48)

13 CFR § 130.460(g)

(g) *Travel.* All travel must be separately identified in the proposed budget as planned in-State, planned out-of-State, unplanned in-State or unplanned out-of-State. All proposed travel must use coach class, apply directly to specific work of the SBDC or be incurred in the normal course of Program administration, and conform to the written travel policies of the Recipient organization or the sponsoring SBDC organization. (Per diem rates, including lodging, shall not exceed those authorized by the Recipient

organization.) Transportation costs must be justified in writing, including the estimated cost, number of persons traveling, and the benefit to be derived by the small business community from the proposed travel. A specific projected amount, based on the SBDC's past experience, where appropriate, must also be included in the budget for unplanned travel. A more detailed justification must be given for unplanned out-of-State travel. Any proposed unplanned out-of-State travel exceeding the approved budgeted amount for travel must be submitted to the Project Officer for approval on a case-by-case basis. Travel outside the United States must have prior approval by the AA/SBDCs on a case-by-case basis.

A49. Criteria for Cash Disbursements/Equipment

A50. Criteria for Cash Disbursement/Equipment/Policy

*13 CFR § 143.3*

Equipment means tangible, nonexpendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

*2 CFR § 215.2(l)*

*Equipment* means tangible nonexpendable personal property including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with Recipient policy, lower limits may be established.

A51. Criteria for Cash Disbursements/Equipment/Policy

*2 CFR § 215.34(f)*

(f) The Recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:

(1) Equipment records shall be maintained accurately and shall include the following information.

(i) A description of the equipment.

(ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.

(iii) Source of the equipment, including the award number.

(iv) Whether title vests in the Recipient or the Federal Government.

(v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.

(vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).

(vii) Location and condition of the equipment and the date the information was reported.

(viii) Unit acquisition cost.

(ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a Recipient compensates the Federal awarding agency for its share.

A57. Criteria for Cash Disbursements/Supplies

A59. Criteria for Cash Disbursements/Contracts/Consultants

A61. Criteria for Cash Disbursements/Contracts/Consultants

*GAGAS, paragraph 3.50c., p. 40*

"Source documents include those providing evidence that transactions have occurred (for example, purchase orders, payroll time records, customer orders, and contracts). Such records also include an audited entity's general ledger and subsidiary records or equivalent."

*GAGAS, paragraph A6.04, p. 187*

“Documentary evidence is obtained in the form of already existing information such as letters, contracts, accounting records, invoices, spreadsheets, database extracts, electronically stored information, and management information on performance.”

A58. Criteria for Cash Disbursement/Contracts/Definition

*13 CFR § 143.3*

“*Contract* means (except as used in the definitions for *grant* and *sub-grant* in this section and except where qualified by *Federal*) a procurement contract under a grant or sub-grant, and means a procurement subcontract under a contract.”

*2 CFR § 215.2(h)*

*Contract* means a procurement contract under an award or sub-award, and a procurement subcontract under a recipient's or sub-recipient's contract.

A62. Criteria for In-Kind/Definition

*2 CFR 215.2 (kk)*

*Third party in-kind contributions* means the value of non-cash contributions provided by non-Federal third parties. Third party in-kind contributions may be in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program.

*FY/CY 2011 PA, Section VIII. C. 15, p. 53 of 70. IN-KIND*

A non-cash match contribution based on the value of goods and services that are provided to the project, which may include office equipment and office space.

<p>A63. Criteria for In-Kind/Restrictions  <i>FY/CY 2012 PA, p 25 of 66. ¶ Section IV. E. 2. MATCH REQUIREMENT</i>            Cash match in an amount not less than 50 percent of the federal funding is required. The remainder may be in the form of indirect and/or in-kind match.</p>
<p>A64. Criteria for In-Kind  <i>FY/CY 2011 PA., Section IV. E. 2., p. 25 of 70, Financial Guidelines;</i>            Each SBDC applicant must ensure that no less than fifty percent of the required contribution will be in cash. This cash outlay must not include indirect costs, in-kind contributions, or Program Income derived from activities supported in whole or in part with federal or match funds.  <i>FY/CY 2011 PA, Section IV. A. 2. p. 18 of 70, Indirect Cost.</i>            Do not include indirect costs as cash match or as in-kind contributions.</p>
<p>A69. Criteria for In-Kind/Volunteer Services  <i>2 CFR § 215.23 (d) and (h)(5)(i)</i>            (d) Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the Recipient's organization. In those instances in which the required skills are not found in the Recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the Recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.            (h)(5)(i) Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the Recipient for its own employees.</p>
<p>A75. Criteria for In-Kind/Reporting  <i>2011 NOA, paragraph 8. e. (2) (b) i., page 7 of 17</i>            (2) Each financial report <u>must</u> include the SF-425 package, which consists of the following:            a. SBDC approved SF-425, Federal Financial Report;            b. SF-425, line 12 Remarks, indicate the amount of the Recipient share of outlays consisting of the following:                i. SBDC Network In-kind Match                ii. SBDC Network Waived Indirect Cost                iii. All SBDC Network Cash Match</p>
<p>A76. Criteria for Indirect Cost/Cognizant Agency            A77. Criteria for Indirect Cost/Cognizant Agency  <i>13 CFR § 130.110. Cognizant Agency</i>  <i>Cognizant Agency.</i> The Federal agency, other than SBA, from which a recipient organization or sponsoring SBDC organization receives its largest grant or greatest amount of Federal funding, and from which it obtains an indirect cost rate for budgetary and funding purposes, applicable throughout the Federal government.</p>
<p>A78. Criteria for indirect cost (F&amp;A)  <i>FY/CY 2011 PA, Section IV. E. 1., p. 23 of 70</i>            Indirect Costs and Overhead            To propose and subsequently claim indirect costs, applicants must furnish their current indirect cost rate agreement as negotiated with their cognizant federal agency, their indirect cost rate agreement certified by their state governmental unit and approved by their cognizant federal agency, or another rate calculation approved by SBA, as well as those agreements for participating Service Centers. The negotiated rate in effect at the time of the initial award should be used throughout the entire award period covered by the proposal. Indirect costs cannot be claimed for the Lead Center or for Service Centers that do not furnish approved cost rate agreements applicable to the proposed funding period. Costs may not exceed the amount allowable under the approved Indirect Cost Rate</p>

Agreement furnished with the proposal. Indirect costs claimed should not exceed the amount of the approved budget on the Notice of Award without prior written approval of the SBA Grants Management Specialist.

Entities currently without a rate agreement negotiated with a Federal agency may request the SBA Project Officer to provide a rate agreement of 24% for use only in the SBDC Program. Any agreements subsequently negotiated with a federal agency will supersede the SBA agreement. For entities using an SBA provided Indirect Cost Rate Agreement for the SBDC Program, the following terms apply:

- These terms are to assist in identifying and clarifying those costs considered to be “general administrative and general expenses” noted in 2 CFR 220.E (OMB Circular A-21), 2 CFR 225 (OMB Circular A-87) and 2 CFR 230.C (OMB Circular A-122). They form the basis for this SBA Indirect Cost Rate Agreement and subsequently may not also be included as direct costs against the award when the SBDC Indirect Cost Rate Agreement is used.
- Cost pools underlying the Indirect Cost Rate Agreement include personnel compensation and benefits for positions or for activities which are not (1) in direct support of the SBDC Program goals and objectives **and** (2) under the direction or supervision of the key person identified in the Cooperative Agreement as responsible for program performance at the respective host entity.
- Examples include, but are not limited to, those expenditures allocable to human resources and accounting departments, sponsored project staff, corporate marketing staff, controllers, deans, chief executives and presidents of colleges and universities.
- Non-personnel costs such as audits, supplies, materials, insurance, and other services and operating costs allocable to administrative departments and to the activities of the host entity are considered part of the “general and administrative cost pool” and thus may not also be directly charged.
- F&A costs may not otherwise be charged, directly or indirectly, to the cooperative agreement or claimed as non-cash match contributions without the incorporation of an approved Indirect Cost Rate Agreement, either from a cognizant agency or from the SBA as described here.

A80. Criteria for indirect cost (F&A)

*FY/CY 2011 PA, Section IV. A.2., p. 18 of 70*

A copy of the Indirect Cost Rate agreement (ICR) approved by your cognizant agency for audits must be provided, including the signature page of the agreement to support indirect charges. A rate no higher than that approved under the ICR may be used to calculate indirect cost.

A82. Criteria for indirect cost

*13 CFR § 130.460 (b)*

*Indirect costs.* If the applicant organization waives all indirect costs to meet the Matching Funds requirement, one hundred percent (100%) of SBA funding must be allocated to program delivery. If some, but not all, indirect costs are waived to meet the Matching Funds requirement, the lesser of the following may be allocated as indirect costs of the Program and charged against the Federal contribution:

- (1) Twenty percent (20%) of Federal contribution, or
- (2) The amount remaining after the waived portion of indirect costs is subtracted from the total indirect costs.

A83. Criteria for Program Income

*2 CFR 215.2 (x)*

*Program Income* means gross income earned by the Recipient that is directly generated by a supported activity or earned as a result of the award (see exclusions in §215.24(e) and (h)). Program Income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award

funds. Interest earned on advances of Federal funds is not Program Income.

*2011 NOA, paragraph 11, p. 10 of 17*

Except as otherwise provided in Federal awarding agency regulations or the terms and conditions of the award, Program Income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them.

*13 CFR § 130.480(b)*

Program Income, including any interest earned on Program Income, must be used to expand the quantity or quality of services, resources or outreach provided by the SBDC network. It cannot be used to satisfy the requirements for Matching Funds. The Project Officer shall monitor the use of Program Income. Any unused Program Income will be carried over to a subsequent budget period.

*13 CFR § 143.25(b)*

*Definition of Program Income.* Program Income means gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. *During the grant period* is the time between the effective date of the award and the ending date of the award reflected in the final financial report.

A84. Criteria for Program Income/Expenditures

*2 CFR § 215.24 (b)(1)*

(b) Except as provided in p. (h) of this section, Program Income earned during the project period shall be retained by the Recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following.

(1) Added to funds committed to the project by the Federal awarding agency and Recipient and used to further eligible project or program objectives.

*13 CFR § 143.25 (g)*

*Use of Program Income.* Program Income shall be deducted from outlays which may be both Federal and non-Federal as described below, unless the Federal agency regulations or the grant agreement specify another alternative (or a combination of the alternatives). In specifying alternatives, the Federal agency may distinguish between income earned by the grantee and income earned by subgrantees and between the sources, kinds, or amounts of income. When Federal agencies authorize the alternatives in paragraphs (g) (2) and (3) of this section, Program Income in excess of any limits stipulated shall also be deducted from outlays.

(1) *Deduction.* Ordinarily Program Income shall be deducted from total allowable costs to determine the net allowable costs. Program Income shall be used for current costs unless the Federal agency authorizes otherwise. Program Income which the grantee did not anticipate at the time of the award shall be used to reduce the Federal agency and grantee contributions rather than to increase the funds committed to the project.

(2) *Addition.* When authorized, Program Income may be added to the funds committed to the grant agreement by the Federal agency and the grantee. The Program Income shall be used for the purposes and under the conditions of the grant agreement.

A85. Criteria for Program Income/Use of

*FY/CY 2011 PA, Section IV. E. 2*

Use of Program Income

Program Income must be used to further the objectives of the SBDC Program and cannot be used for other purposes. SBDCs must expend any Program Income exceeding 25 percent of the SBDC's total budget (SBA federal funds and matching funds) by year end. Any remaining Program Income may be carried over to subsequent budget periods to be used to further program objectives. SBDC Program recipients are responsible for establishing a separately identifiable Program Income account to facilitate financial reporting. All Program Income must be reported on SBA Form 2113 (Program Income Report). The SBDC will include as an attachment to the SF-425, the SBA Form 2113 and a narrative description of how Program Income was used to further eligible program objectives.

The Recipient will add Program Income to program funds committed by the Federal agency and the recipient organization. Program Income must be used to further eligible SBDC Program objectives. Program Income must be expended in accordance with SBDC Program requirements and applicable OMB Circulars.

*2011 NOA, p. 11. Program Income, page 10 of 17*

The SBDC must expend any Program Income which exceeds 25% of its total Cooperative Agreement budget (SBA federal funds and matching funds) by year end. Any remaining Program Income must be carried over to subsequent budget periods to be utilized to further program objectives. SBDC Program Recipients are responsible for establishing



a separately identifiable Program Income fund account to facilitate financial reporting.

A91. Criteria for Program Income/Supporting claims for

A93. Criteria for Program Income

*13 CFR § 130.480 (b) and (c)*

(b) Program Income, including any interest earned on Program Income, must be used to expand the quantity or quality of services, resources or outreach provided by the SBDC network. It cannot be used to satisfy the requirements for Matching Funds. The Project Officer shall monitor the use of Program Income. Any unused Program Income will be carried over to a subsequent budget period.

(c) SBDCs must report in detail on standard SBA forms receipts and expenditures of Program Income, including any income received through cosponsored activities. A narrative description of how Program Income was used to accomplish Program objectives shall be included.

A95. Criteria for Close Out

A96. Criteria for Close Out

*FY/CY 2011 PA, Section VIII. B. 16, page 49 of 70*

In the event of a recipient organization (SBDC Lead Center) exiting the program, there are a number of procedures which must be undertaken to ensure a smooth transition to a new recipient organization (SBDC Lead Center). These include, but are not limited to:

- Taking an inventory of all property bought with program (both federal and match funds) funds including equipment, personal property, supplies, and intellectual property. The inventory should identify each item and describe its funding source (Federal, match), serial number, software installed if computer, acquisition value, current value, date acquired, current location, and current condition.
- Arranging for the transfer of supplies and equipment to the new host or SBA as directed.
- Arranging for the transfer of clients documents, including counseling and training files.
- Preparing for the transfer of electronic records as soon as possible, to enable the new host to begin services immediately after the termination date. Allowance is made for the exiting host to transfer data records prior to the termination date.
- Referring clients requesting services to the new SBDC host upon the termination date such as web site and telephone communications.
- Reconciling all accounts for program funds (both federal and match) as well as Program Income.
- Consistent with the termination of services, transferring the Program Income fund balance to the new SBDC host at the end of the program period.
- Providing for the submission of final electronic and paper activity and financial reports as required by the Notice of Award.
- Providing for the submission of final billing as required in the Notice of Award.
- Providing for the participation in SBA closeout reviews including financial documentation.

## Appendix C Tables

A24. Table 1 Minimum elements of the reimbursement invoice																									
<i>Grantee name</i>	This is the name of the SBDC and/or the entity name.																								
<i>Grantee address</i>	This is the address of the SBDC facility; not the administrative location, if it is different. The address of the SBDC facility identifies whether the facility is on or off-campus.																								
<i>Reporting period</i>	The starting date and the ending date of the reporting period (i.e. MMDDYYYY, DDMMYYYY, YYYYMMDD, YYMMDD)																								
<i>Prepared by</i>	The full name of the person who prepared the reimbursement invoice																								
<i>Request Number</i>	Provide a request number for identification purposes (i.e. NNNN, YY00N)																								
<i>Fund source(s)</i>	Formal number and name of the supporting general ledgers																								
Cost outlays																									
<i>Federal outlay</i>	The federal outlay reports expenditures supported by the federal general ledger (account). These are funds that are awarded from the SBA.																								
<i>Cash match outlay</i>	The cash match outlay can be in separate cash match account, or multiple cash match accounts, or it can be included under the federal account.																								
<i>In-kind outlay</i>	In-kind outlays can be in any entity account, but must be supported by an in-kind agreement, or in the case of a Recipient a memorandum designating amounts claimed as in-kind. In this case general ledger support might be requested, but this is seldom done during the Level 2 examination.																								
<i>Program Income</i>	SBDC networks may report Program Income and expenditures on the reimbursement invoice. Particularly, when the SBDC network adds Program Income expenditures to their indirect cost pool. If it is included then the Program Income reported on the reimbursement invoice must match the amounts reported on the SBA Form 2113 (2113), the spreadsheet in support of the 2113 and its associated general ledger.																								
<i>Note</i>	A separate report page for each outlay is acceptable. A separate page is normally used when a Recipients elects to identify all the sub-cost elements; however, there are some reimbursement invoices which include all the necessary outlays. These invoices do not post all the sub-cost elements, but rather summarize the cost elements as indicated in the body, below. This is also acceptable as long as the total summation can be supported by the general ledger.																								
Body																									
<i>Cost categories</i>	This is a list of the cost categories. Ideally, the cost categories should reflect the cost categories in the Recipient's proposal. The FE requests the definition of the cost categories if they do not match. For example, the cost element "Equipment" in the proposal may only include depreciable assets, but the reimbursement invoice may record depreciable assets as well as small non-depreciable products and maintenance costs. At a minimum, the cost elements should include:																								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Personnel costs</th> <th style="text-align: center;">Travel costs</th> <th style="text-align: center;">Other costs</th> <th style="text-align: center;">Totals</th> </tr> </thead> <tbody> <tr> <td>Salaries and wages</td> <td>In-State</td> <td>Supplies</td> <td>Direct</td> </tr> <tr> <td>Fringe Benefits</td> <td>Out-State</td> <td>Equipment</td> <td>Indirect (Federal)</td> </tr> <tr> <td></td> <td></td> <td>Contractual</td> <td>Waived indirect</td> </tr> <tr> <td></td> <td></td> <td>Consultants</td> <td></td> </tr> <tr> <td></td> <td></td> <td>Other</td> <td></td> </tr> </tbody> </table>	Personnel costs	Travel costs	Other costs	Totals	Salaries and wages	In-State	Supplies	Direct	Fringe Benefits	Out-State	Equipment	Indirect (Federal)			Contractual	Waived indirect			Consultants				Other	
Personnel costs	Travel costs	Other costs	Totals																						
Salaries and wages	In-State	Supplies	Direct																						
Fringe Benefits	Out-State	Equipment	Indirect (Federal)																						
		Contractual	Waived indirect																						
		Consultants																							
		Other																							
<b>Given Variables</b>	<b>Explanation and formulas using given variables</b>																								
<i>Approved budget (a)</i>	This breaks down the budget using the cost elements above.																								
<i>Year to date expenditures(b)</i>	Y2D expenditures are total Y2D on the prior invoice. The should match. Y2D prior total Y requires an explanation.																								
<i>Expenses incurred this report (c)</i>	These are expenditures that were realized during this invoice's reporting period.																								
<i>Total year to date expenditures (d)</i>	Formula: $b + c = d$ $b + c \neq d$ requires an explanation.																								
<input type="checkbox"/> <i>budget balance (e)</i>	Formula: $a - d = e$ $a - d \neq e$ requires an explanation																								
<i>% spent (f)</i>	Formula: $e/a = f$ $e/a \neq f$ particularly for the total, requires an explanation.																								
Certification																									



U.S. Small Business Administration

<i>Certification</i>	The certification should say something similar to the following: “I hereby certify that all expenditures from these project funds are for approved project costs only. Further, I certify that supporting documentation on actual expenditures is on file in our office.”
<i>Signatures and date</i>	Center director and financial manager must date and sign the reimbursement invoice. Additionally, the name should be a signature with a printed version of the name underneath. The signatures on the invoice should be the same as the authorized agent of the Recipient or Sub-recipient.

**APPENDIX D**  
**Figures**

Figure 1

SPREADSHEET TO SUPPORT COSTS REFLECTED ON THE SF-425, FEDERAL FINANCIAL REPORT					
<u>Lead Center Disbursements</u>					
Lead Center	XXX-XXX	\$0.00	\$0.00	\$0.00	\$0.00
	XXX-XXX	\$0.00	\$0.00	\$0.00	\$0.00
	XXX-XXX	\$0.00	\$0.00	\$0.00	\$0.00
Total Lead Center Disbursements		\$0.00	\$0.00	\$0.00	\$0.00
<u>Service Center Disbursements (List by individual Service Center)</u>					
Service Center Name	Ledger Acct. Numbers	SBA Funds (\$)	Cash Match (\$)	In-Kind Match (\$)	Waived Indirect (\$)
	XXX-XXX	\$0.00	\$0.00	\$0.00	\$0.00
	XXX-XXX	\$0.00	\$0.00	\$0.00	\$0.00
	XXX-XXX	\$0.00	\$0.00	\$0.00	\$0.00
	XXX-XXX	\$0.00	\$0.00	\$0.00	\$0.00
Total Service Center Disbursements		\$0.00	\$0.00	\$0.00	\$0.00
Total Lead Center and Service Center Disbursements		\$0.00	\$0.00	\$0.00	\$0.00
The amount that should match line					
* If funds for any of the above categories are housed in several accounts, please provide all ledger account numbers and amounts.					
Spreadsheet Category		Total This will post to the proper SF 425 line			
Lead Center and Service Center Disbursements:					

SBA Funds (\$)	\$0.00	10g	
Cash Match (\$)	\$0.00		
In-Kind (\$)	\$0.00		
Waived Indirect	\$0.00		
<b>Total Recipient Share</b>	<b>\$0.00</b>	<b>10j</b>	
<b><u>SF-270 Request for Reimbursement:</u></b>		<b>Line 11h:</b>	\$0.00
		<b>Line 11g:</b>	\$0.00
 <b><u>Notice of Award Information:</u></b>			
<b>2. Grant/Cooperative Agreement No.:</b> <input style="width: 100%;" type="text"/>			
<b>3. Recipient Name:</b>		<b>4a. DUNS:</b>	<input style="width: 100%;" type="text"/>
<b>Address</b>		<b>4b. EIN:</b>	<input style="width: 100%;" type="text"/>
<b>City, State &amp; Zip</b>			
<b>5. Budget Period:</b>	<b>From:</b>		<b>Through</b>
			<input style="width: 20px; height: 20px;" type="text"/>
		\$0.0	
		0	
<b>12. Approved Budget, line 12 L, Federal Share:</b>			
<b><u>SF-425 Information:</u></b>			
<b>6. Report Type: (Semi, Annual or Final)</b>	<input style="width: 100%;" type="text"/>	<b>7. Basis of Accounting: (Cash or Accrual)</b>	<input style="width: 100%;" type="text"/>
<b>9. Reporting Period End Date:</b>	<input style="width: 100%;" type="text"/>		
<b>13a. Type Name and Title of Authorized Certifying Official:</b>	<input style="width: 100%;" type="text"/>		
<b>13c. Telephone (Area code, number and extension)</b>	<input style="width: 100%;" type="text"/>		
<b>13d. Email address</b>	<input style="width: 100%;" type="text"/>	<b>13e. Date Report Submitted</b>	<input style="width: 100%;" type="text"/>

A5. Figure2  
 Sample template of The Schedule of Indirect Cost as part of the SBDC SF-425 package

<b>SAMPLE FORMAT</b>							
<b>SCHEDULE OF INDIRECT COSTS</b>							
<i>(Note: Use this schedule if more than one rate was in use during the year)</i>							
	(a)		(b)	(c) = a x b	(d) see below	(e) = c – d	(f) see below
Name of Site	Rate (%)*	Method of Allocation*	Base**(\$)	Total Indirect Costs (\$)	Amount Reimbursed by Federal Funds(\$)	Amount Waived (\$)	Amount Waived reported on SF 425
Lead Center	0.0%		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center A			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center B			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center C			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center D			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center E			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center F			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center G			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center H			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center I			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center J			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center K			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center L			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Center M			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<p>* See Indirect Cost Rate Agreement</p> <p>** The base should include allowable federal and cash match expenditures.</p> <p>(d) This amount should not exceed the indirect cost amount included in the federal share column on the Notice of Award.</p> <p>(f) This amount should be shown on the SF 425– Federal Financial Report. This amount should not exceed the indirect cost amount included in the non-Federal share column on the Notice of Award. Furthermore, this amount should not exceed the amount waived amount, reported above, in column (e).</p>							

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## APPENDIX E

### Legal Interpretation from SBA/OGC

The OMB guidance regarding former SBDC recipients' disposition of equipment that was purchased with project funds:

#### Equipment Purchased With Federal Funds

- Should be handed over to successor recipient
- If the successor doesn't want it, should be offered to SBA
- SBA can use it for its own purposes or declare it surplus in accordance with GSA guidance
- SBA can also permit the former SBDC recipient to retain the equipment if it will continue to be used to provide assistance to small businesses
- If the former SBDC recipient will no longer use the equipment to assist small businesses, SBA can let them sell it so long as they give a pro rata share of the proceeds to SBA

#### Equipment Purchased With Matching Funds/Claimed As In-Kind Match

- If the full purchase value of the equipment was claimed as match, then we need to apply depreciation tables to see if any meaningful value is remaining. If there is more than nominal value remaining, then we have an under-match situation and they will need to turn the equipment over to the successor recipient or return the under-matched Federal funds it was used to draw down. For example, if they bought a \$10K computer server two years ago and claimed the full value as match and after depreciation the server is still worth \$7K, then we only received \$3K worth of usage of the server for the SBDC project. That means they received \$7K in Federal funds to which they were not entitled. They would therefore either need to repay that \$7K or pass that server on to their successor.
- If there is only nominal value remaining, then they could keep the equipment. We will need to establish a threshold below which we will consider an article of equipment to have only nominal value. I would suggest using a percentage of original value for the threshold rather than a set dollar amount. For example, we could adopt the policy that if an article of equipment purchased by the former recipient retains less than 10% of its original purchase value, we would consider it to have only nominal value and the former recipient could retain it.
- If the former recipient only claimed the value of the use of the equipment as match, then they can retain the equipment. For example, using the server example above, if the cost of leasing a server would be \$1K per year and the recipient therefore only claimed \$2K as match for the use of the server during the time it was used for project purposes, there is no problem with under-match and the former recipient can retain the equipment.

#### Equipment Purchased With Program Income

- If the Program Income was used as match, then the rules above apply
- If the Program Income was not used as match, then the former recipient can retain the equipment. Although this may seem counterintuitive, as you noted the OMB guidance regarding equipment refers only to equipment purchased using Federal funds and while they are project funds, Program Income does not constitute Federal funds. There is also no problem with under-match in such circumstances. As such, even though they would not have that equipment if it were not for the SBDC grant, there is no basis for us to assert a claim to that equipment.

## APPENDIX F

### List of selected items of cost contained in OMB cost principles circulars (Amended effective June 9, 2004)

*Criteria: OMB Circular A-133, Compliance Supplement, March 2011, Executive Office of the President, Office of Management and Budget*

The following exhibit provides an updated listing of selected items of cost contained in each of the OMB cost principles circulars based on the changes contained in the *Federal Register* notice dated May 10, 2004 ([http://www.whitehouse.gov/omb/grants\\_docs/](http://www.whitehouse.gov/omb/grants_docs/)). The primary changes are deletion of items, changes in language for consistency, and extension of certain items previously only in one or more—but not all—sets of OMB cost principles to another set(s) of OMB cost principles. Although these changes minimized the number of non-substantive differences among the OMB cost principles, there remain several cost items that are unique to one type of entity (e.g., commencement and convocation costs are applicable only to universities).

The exhibit lists the selected items of cost along with a cursory description of their allowability. The numbers in parentheses refer to the cost item in the applicable circular, as revised. The reader is strongly cautioned not to rely exclusively on the summary but to place primary reliance on the referenced circular text. **Selected Items of Cost Exhibit 1** (amended 6/04)

Selected Items of Cost Exhibit 1 (amended 6/04)			
<i>Selected Cost Item</i>	<i>OMB Circular A-87, Attachment B State, Local, &amp; Indian Tribal Gov'ts</i>	<i>OMB Circular A-21, Section J Educational Institutions</i>	<i>OMB Circular A-122, Attachment B Non-Profit Organizations</i>
Advertising and public relations costs	(1) Allowable with restrictions	(1) Allowable with restrictions	(1)-Allowable with restrictions
Advisory councils	(2)-Allowable with restrictions	(2) Allowable with restrictions	(2) Allowable with restrictions
Alcoholic beverages	(3)-Unallowable	(3)-Unallowable	(3)-Unallowable
Alumni activities	Not specifically addressed	(4)-Unallowable	Not specifically addressed
Audit costs and related services	(4)-Allowable with restrictions <b>and</b> as addressed in OMB Circular A-133	(5)-Allowable with restrictions <b>and</b> as addressed in OMB Circular A-133	(4)-Allowable with restrictions <b>and</b> as addressed in OMB Circular A-133
Bad debts	(5)-Unallowable	(6)-Unallowable	(5)-Unallowable
Bonding costs	(6)-Allowable with restrictions	(7) Allowable with restrictions	(6)-Allowable with restrictions
Commencement and convocation costs	Not specifically addressed	(8)-Unallowable with exceptions	Not specifically addressed
Communication costs	(7)-Allowable	(9)-Allowable	(7)-Allowable
Compensation for personal services	(8)-Unique criteria for support	(10)-Unique criteria for support	(8)-Unique criteria for support
Compensation for personal services - organization-furnished automobile	Not specifically addressed	(10.g)- Unallowable for that portion of costs attributed to personal use	(8.g)- Unallowable for that portion of costs attributed to personal use
Compensation for personal services - sabbatical leave costs	Not specifically addressed	(10.f(4))- Allowable with restrictions	Not specifically addressed
Compensation for personal services -	(8)-Allowable with restrictions	(10.h)-Allowable with	(8.k)-Allowable with

		restrictions	restrictions
severance pay			
Contingency provisions	(9)-Unallowable with exceptions	(11)-Unallowable with exceptions	(9)-Unallowable with exceptions
Deans of faculty and graduate schools	Not addressed	(12)-Allowable	Not addressed
Defense and prosecution of criminal and civil proceedings and claims	(10)-Allowable with restrictions	(13)-Allowable with restrictions (Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement)	(10)-Allowable with restrictions (Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement)
Depreciation and use allowances	(11)-Allowable with qualifications	(14)-Allowable with qualifications	(11)-Allowable with qualifications
Donations and contributions	(12)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)	(15)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)	(12)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)
Employee morale, health, and welfare costs	(13)-Allowable with restrictions	(16)-Allowable with restrictions	(13)-Allowable with restrictions
Entertainment costs	(14)-Unallowable	(17)-Unallowable	(14)-Unallowable
Equipment and other capital expenditures	(15)-Allowability based on specific requirements	(18)-Allowability based on specific requirements	(15)-Allowability based on specific requirements
Fines and penalties	(16)-Unallowable with exception	(19)-Unallowable with exception	(16)-Unallowable with exception
Fundraising and investment management costs	(17)-Unallowable with exceptions	(20)-Unallowable with exceptions (Fundraising)	(17)-Unallowable with exceptions
Gains and losses on depreciable assets	(18)-Allowable with restrictions (Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs)	(21)-Allowable with restrictions	(18)-Allowable with restrictions
General government expenses	(19)-Unallowable with exceptions	Not specifically addressed	Not specifically addressed
Goods or services for personal use	(20) Unallowable	(22)-Unallowable	(19)-Unallowable
Housing and personal living expenses	Not specifically addressed	(23)-Unallowable	(20)-Unallowable as overhead costs

Idle facilities and idle capacity	(21)-Idle facilities - unallowable with exceptions; idle capacity - allowable with restrictions	(24)-Idle facilities - unallowable with exceptions; idle capacity - allowable with restrictions	(21)-Idle facilities - unallowable with exceptions; idle - capacity allowable with restrictions
Insurance and indemnification	(22)-Allowable with restrictions	(25)-Allowable with restrictions	(22)-Allowable with restrictions
Interest	(23)-Allowable with restrictions	(26)-Allowable with restrictions	(23)-Allowable with restrictions
Interest - substantial relocation	Not specifically addressed	(26.b(6))-Possible adjustment in relocated within 20 years	(23.a(6)(d))-Possible adjustment in relocated within 20 years
Labor relations costs	Not specifically addressed	(27)-Allowable	(24)-Allowable
Lobbying	(24)-Unallowable	(28)-Unallowable with exceptions	(25)-Unallowable with exceptions
Lobbying - executive lobbying costs	(24.b)-Unallowable	(28.h)-Unallowable	(25.d)-Unallowable
Losses on other sponsored agreements or contracts	Not specifically addressed	(29)-Unallowable	(26)-Unallowable (Losses on other awards or contracts)
Maintenance and repair costs	(25)-Allowable with restrictions(Maintenance, operations, and repairs)	(30)-Allowable with restrictions	(27)-Allowable with restrictions
Materials and supplies costs	(26)-Allowable with restrictions	(31)-Allowable with restrictions	(28)-Allowable with restrictions
Meetings and conferences	(27)- Allowable with restrictions	(32)- Allowable with restrictions	(29)-Allowable with restrictions
Memberships, subscriptions, and professional activity costs	(28)-Allowable as a direct cost for civic, community and social organizations with Federal approval; unallowable for lobbying organizations.	(33)-Unallowable for civic, community, or social organizations	(30)-Allowable for civic and community organizations with Federal approval; unallowable for social organizations.
Organization costs	Not specifically addressed	Not specifically addressed	(31)-Unallowable except Federal prior approval
Page charges in professional journals	(34.b)-Allowable with restrictions (addressed under "Publication and printing costs")	(39.b)-Allowable with restrictions (addressed under "Publication and printing costs")	(32)-Allowable with restrictions
Participant support costs	Not specifically addressed	Not specifically addressed	(33)-Allowable with prior approval of the Federal awarding agency

Patent costs	(29)-Allowable with restrictions	(34)-Allowable with restrictions	(34)-Allowable with restrictions
Plant and homeland security costs	(30)-Allowable with restrictions	(35)-Allowable with restrictions	(35)-Allowable with restrictions
Pre-agreement costs	(31)-Allowable with restrictions (Pre-award costs)	(36)-Unallowable unless approved by the Federal sponsoring agency	(36)-Allowable with restrictions
Professional service costs	(32)-Allowable with restrictions	(37)-Allowable with restrictions	(37)-Allowable with restrictions
Proposal costs	(33)-Allowable with restrictions	(38)-Allowable with restrictions	Not specifically addressed
Publication and printing costs	(34)-Allowable with restrictions	(39)-Allowable with restrictions	(38)-Allowable with restrictions
Rearrangement and alteration costs	(35)-Allowable (ordinary and normal); allowable with Federal prior approval (special)	(40)-Allowable (ordinary and normal); allowable with Federal prior approval (special)	(39)-Allowable (ordinary and normal); allowable with Federal prior approval (special)
Reconversion costs	(36)-Allowable with restrictions	(41)-Allowable with restrictions	(40)-Allowable with restrictions
Recruiting costs	(1.c)-Allowable with restrictions (addresses costs of advertising only)	(42)-Allowable with restrictions	(41)-Allowable with restrictions
Relocation costs	Not specifically addressed	(42.d)-Allowable with restrictions	(42)-Allowable with restrictions
Rental cost of buildings and equipment	(37)-Allowable with restrictions	(43)-Allowable with restrictions	(43)-Allowable with restrictions
Royalties and other costs for use of patents	(38)-Allowable with restrictions	(44)-Allowable with restrictions	(44)-Allowable with restrictions
Scholarships and student aid costs	Not specifically addressed	(45)-Allowable with restrictions	Not specifically addressed
Selling and marketing costs	(39)-Unallowable with exceptions	(46)-Unallowable with exceptions	(45)-Unallowable with exceptions
Specialized service facilities	Not specifically addressed	(47)-Allowable with restrictions	(46)-Allowable with restrictions
Student activity costs	Not specifically addressed	(48)-Unallowable unless specifically provided for in the sponsored agreement	Not specifically addressed
Taxes	(40)-Allowable with restrictions	(49)-Allowable with restrictions	(47)-Allowable with restrictions

Termination costs applicable to sponsored agreements	(41)-Allowable with restrictions	(50)-Allowable with restrictions	(48)-Allowable with restrictions
Training costs	(42)-Allowable for employee development	(51)-Allowable for employee development	(49)-Allowable with limitations
Transportation costs	Not specifically addressed	(52)-Allowable with restrictions	(50)-Allowable
Travel costs	(43)-Allowable with restrictions	(53)-Allowable with restrictions	(51)-Allowable with restrictions
Trustees	Not specifically addressed	(54)-Allowable with restrictions	(52)-Allowable with restrictions



## **PART III - INDICES**

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## ACRONYMS

A	Answer
ASBDC	Association of Small Business Development Centers
CAS	Cost Accounting Standards
CFR	Code of Federal Regulations
FAQ	Frequently Asked Questions
FY/CY	Fiscal Year/Calendar Year
GAGAS	Generally Accepted Government Accounting Standards
IDC	Indirect Cost
IDCA	Indirect Cost Agreement
IK	In-Kind Third Party Contributions
NOA	Notice of Award
OGC	Office of General Council
OMB	Office of Management and Budget
OSBDC	Office of Small Business Development Centers
p	Page
pp	Pages
Q	Question
SBA	Small Business Administration
SBDC	Small Business Development Center
TOC	Table of Contents
U.S.	United States of America
WIDC	Waived Indirect Cost

We hope this booklet is of value to you.

If you have a suggested question for the 2013 version please contact  
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Your comments and recommendations are greatly appreciated.

***Office of Entrepreneurial Development***  
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