




ADMINISTRATION FOR
CHILDREN & FAMILIES

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FROM: Ben Goldhaber

Deputy Assistant Secretary for Administration
and Chief Grants Management Officer
Administration for Children and Families

TO: Administration for Children and Families (ACF) Grantees and Recipients

SUBJECT: Update to Information Memorandum IM-ACF-OA-2020-01
Item 6. *Allowability of Costs not Normally Chargeable to Awards*

Purpose

To clarify and provide updated guidance regarding the “other activities” identified under Item 6 of the IM-ACF-OA-2020-01. This update supersedes the prior Item 6.

Applicability

This update to Item 6 applies to the ACF programs that **must** follow (in whole or in part) the requirements outlined under the 45 C.F.R. Part 75. This flexibility flows down to subrecipients, but not to contractors. For consistency purposes with 45 C.F.R. §75.326 (Procurements by state), ACF recommends that each state follow its own policies and procedures to determine the applicability and/or handling of contractor payments under this public health emergency.

This memo concerns provisions of 45 C.F.R. Part 75 that are not applicable to block grants administered by the Office of Child Care (OCC) and the Office of Community Services (OCS), except to the extent that Community Service Block Grant (CSBG) eligible entities are required to follow the cost principles of Part 75. States administering OCC or OCS block grants should be advised to expend and account for funds in accordance with their own laws and procedures. Federal program statutes and regulations continue to apply except where otherwise provided.

Background

The Office of Administration (OA) issued an Information Memorandum, IM-ACF-OA-2020-01, on March 30, 2020 to ACF grantees and recipients directly impacted by COVID-19 regarding the allowability of costs not normally chargeable to awards. As this public health emergency continues, grantees/recipients have been requesting clarification and identifying additional cost-related flexibilities that they need.

Update

The following is the updated version of Item 6 of the March 30 ACF IM and additional guidance regarding allowability of costs that are not normally chargeable to the federal award under normal conditions.

6. Allowability of Certain Costs not Normally Chargeable to Awards. (45 C.F.R. §75.403, 45 C.F.R. §75.404, 45 C.F.R. §75.405, 45 C.F.R. Part 75 Subpart E – Cost Principles; 2 C.F.R. §200.403, 2 C.F.R. §200.404, 2 C.F.R. §200.405, 2 C.F.R. Part 200 Subpart E – Cost Principles)

To the extent permitted by law, ACF will allow grantees/recipients who incur costs related to the cancellation of events, travel, and other related event expenses **due to the public health emergency** to charge these costs to their award. If the event, travel, and other expenses were allowable, reasonable, and allocable expenses that the grantee/recipient committed to incurring (prior to the onset of COVID-19), then ACF will allow grantees/recipients to charge the full cost of cancellation of the event, travel, and other related expenses. **Grantees/recipients should not assume additional funds will be available should the charging of cancellation or other fees to a federal grant result in a shortage of funds.** ACF will require grantees/recipients to maintain appropriate records and cost documentation as required by 45 C.F.R. §75.302 (2 C.F.R. §200.302) (financial management) and 45 C.F.R. §75.361 (2 C.F.R. §200.333) (record retention), to substantiate the charging of any cancellation or other fees related to interruption of operations or services **due to the public health emergency**. As appropriate, ACF will post additional guidance on specific types of costs on its websites and/or provide a point of contact for an Agency program official.

ACF will consider allowability of other types of costs not normally chargeable to the award if they are necessary and reasonable for performance or maintenance of the award in response to the public health emergency (and must continue to meet all applicable statutory conditions and restrictions). The Cost Principles under 45 C.F.R. Part 75 Subpart E provide that “a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person *under the circumstances prevailing at the time the decision was made to incur the cost.*” 45 C.F.R. §75.404 (*emphasis added*). (The Cost Principles also provide factors affecting allowability of costs at 45 C.F.R. §75.403.)

COVID-19 has significantly changed the circumstances prevailing at our time, which means that certain costs that would be unreasonable in normal circumstances could now be considered reasonable. This includes costs incurred to continue, pause and/or restart grant performance, and may include new activities and service delivery methods not previously undertaken under the grant. For example, personal protective equipment (“PPE”) may not normally be considered reasonable and necessary for the performance of an award; however, PPE is now required to facilitate any in-person contact that may be required to comply with a requirement of the grant, and therefore could now be considered reasonable and necessary for the performance of the award.

Grantees/recipients are always permitted and encouraged to seek prior written approval in advance of incurring special or unusual costs. With respect to costs not normally chargeable to the award, ACF certainly encourages regular communication with program and grant officers during this time, particularly if grantees/recipients have any questions about whether the costs are necessary and reasonable for performance or maintenance of the award during the public health emergency and meet all applicable statutory conditions and restrictions.

The Cost Principles require prior written approval in certain instances noted at 45 C.F.R §75.407. In these instances, ACF will waive the advance notice and **prior** approval requirements for grantees/recipients to use federal funds for these types of costs so long as the total amount of costs related to the public health emergency that would normally require prior written approval does not exceed the lesser of \$50,000 or 5% of the total federal share of the amount approved for the Federal award in a budget period (see reference chart below for examples). Where prior approval requirements are waived, grantees/recipients must submit the cost for approval **within 45 calendar days after incurring the expenditure**. For costs requiring prior written approval that are over the \$50,000 or 5% threshold, grantees/recipients should submit a prior written approval request following normal procedures.

If the Total Federal Share Approved Amount for the Budget Period is...	The total approved amount of costs related to the emergency requiring advance notice, where prior approval is required, is...
Over \$1,000,000	\$50,000
\$750,000	\$37,500
\$500,000	\$25,000
\$250,000	\$12,500
\$100,000	\$5,000

Examples of Program Specific Costs Not Normally Chargeable to Awards

Each Program Office must provide to OGM a list of the general categories, by program, where it will consider the approval of costs not normally chargeable to awards. Some possible examples include phone cards, internet access, laptops, groceries, meals, masks, protective plastic shields, and cleaning supplies. These costs may vary by program, but allow the grantee/recipient to carry out the intended purpose of the program during the public health emergency so long as they meet all applicable program statutory conditions and restrictions.

This list will be the starting point to quickly review and approve these costs when grantees/recipients submit them. While a list is provided, OGM must continue to consult with the PO. See *Attachment A. Examples of Program Specific Costs Not Normally Chargeable to the Award*.

Grantee/Recipient Submission

Within 45 calendar days after charging the expenditure to the federal award that would ordinarily require prior written approval, the Authorized Organizational Representative (AOR), or the AORs authorized delegate, for the grantee/recipient must submit an email requesting the approval of the costs to their appropriate assigned ACF grants management and program

specialist. To determine whether such costs are “necessary and reasonable” for performance of the award during the public health emergency, the grantee/recipient must include in its email request, a written justification that includes:

- A narrative that explains the connection between the costs and the purpose and outcomes of the awarded grant or cooperative agreement. The need for the new expenditures should be explained through documentation of the increased demand, the lack of resources, the disruption of normal supply channels, the necessity to deliver services differently, the need to address new needs of constituents served by the grant, the increased need for equipment and technology to continue essential operations while sheltering in place, and so on, due to the public health emergency. The narrative should explain why the expenditures are necessary and reasonable for performance or maintenance of the award during the public health emergency and that they meet all applicable statutory conditions and restrictions.
- A description of the actual cost, the dollar amount, and when it was incurred.
- Most requests for approval do not need a revised budget since the situation is evolving and the budget may continue to change. However, grantees/recipients continue to be responsible for determining when a budget revision is needed and to request approval under the federal award. Depending on the request, ACF may request additional documentation including a new budget as part of the approval process.
Grantees/recipients can proactively submit one to support the initial request for approval.

Grantees/recipients (and on behalf of subrecipients/delegates) that incur costs before receipt of approval by OGM do so at their own risk.

Grantee/Recipient Record-keeping

Grantees/recipients must continue to track and maintain records and documentation to substantiate the charges being made under the grant award related to COVID-19. At any time, the ACF, Office of Inspector General, the Comptroller General of the United States, auditors, and/or any other authorized representative may request access to any documents, papers, and/or other records pertinent to this public health emergency and costs charged to the Federal award.

Inquiries

Please direct all inquiries to your assigned Grants Management Specialist and Project Officer.

Attachment A. Examples of Program Specific Costs Not Normally Chargeable to the Award

Reminder: ACF will require grantees/recipients to maintain appropriate records and cost documentation as required by 45 CFR §75.302 (2 CFR §200.302) (financial management) and 45 CFR §75.361 (2 CFR §200.333) (record retention), to substantiate the charging of any cancellation or other fees or expenses related to interruption of operations or services due to the public health emergency. Grantees/recipients should not assume that additional funds will be provided in their grant award to cover unexpected expenditures in order to respond to the public health emergency.

Administration for Native Americans (ANA)

Depending on the purposes of the specific grant project, ANA will allow the following costs. Not all expenses are applicable to all ANA grant activities:

1. Laptops, computers, and/or tablets for staff or project participants.
2. Web cameras.
3. Software.
4. Internet and associated fees.
5. Cell phones and associated fees.
6. Phone cards.
7. Printing costs.
8. Mailing costs.
9. Cultural Supplies.
10. Food for delivery to project participants (especially elders so they don't have to leave their homes).
11. Mailing and Delivery services.
12. PPE (masks and gloves) for project staff and also project participants if meeting in person.
13. Hotspots or data services for employees working remotely.
14. Videoconference subscriptions.

Family and Youth Services Bureau (FYSB)

FYSB guidance for the Family Violence Prevention and Services Program (FYPSA) program will be issued separately from the memo.

Runaway and Homeless Youth Program (RHY)

1. Allow payment to reconfigure/remodel shelter space to meet CDC guidance on social distancing. Includes common living areas, sleeping areas, and interview rooms. Might require walls for some locations.
2. Minor renovations needed to establish isolated pick-up and drop-off areas and separate areas for children with potential COVID-19 symptoms.
3. Dependent travel costs for official business of less than 6 months. Staff may be required to travel, but not have any daycare or other family where children can remain.
4. Mental health counseling, including online, for youth and staff.

5. COVID-19 testing limited to testing of program staff and youth. As needed for employment certification or return to school/work.
6. Equipment and supplies needed to support virtual schooling and education services, such as electronic tablets, notebook computers, phone cards, internet access.
7. Equipment, supplies and contracted services needed to prepare drop-in centers and shelters to re-open for services, such as personal protective equipment (e.g., masks, gowns, and gloves), thermometers, additional cleaning materials and supplies, room dividers, additional janitorial contracting.
8. Personnel and fringe benefit costs needed to adjust staffing to meet reduced group size mandates, social distancing requirements and isolation of youth with potential COVID-19 symptoms.
9. Increased numbers of employed or contracted staff to address anticipated health, mental health and social service needs during shelter service resumption.
10. Overtime pay for staff due to the diminishing need for volunteers.
11. Increased coverage of medical costs to include direct costs and copayments related to testing and treatment of COVID-19, and medication.
12. Costs for bolstering internet access for shelters to support staff and youth capacity to access. Costs for hot spots and data services for outreach workers and phone cards for youth.

Office of Child Care (OCC)

OCC guidance will be issued separately from this memo.

Office of Child Support Enforcement (OCSE)

1. Allow payment to reconfigure/remodel workspace to meet CDC guidance on social distancing. Includes cubicles, protective glass, and interview rooms. Might require walls for some locations.
2. Dependent travel costs for official business of less than 6 months when lack of dependent care is related to COVID-19. Staff may be required to travel, but not have any daycare or other family where children can remain.
3. Program staff license reinstatement fees and professional license reinstatement or renewal costs, if the lapse can be connected to the public health emergency.
4. COVID-19 testing limited to testing of program staff. When needed for employment certification or return to work.
5. Overtime for staff to keep with increased workload due to COVID-19 as permitted under state policy.

Office of Community Services (OCS)

OCS guidance will be issued separately from this memo.

Office of Family Assistance

State and Tribal TANF

1. Equipment and supplies needed to support remote delivery of program services, such as electronic tablets, notebook computers, phone cards, internet access.

2. Equipment, supplies and contracted services needed to prevent the spread or exposure to COVID-19, such as personal protective equipment, thermometers, additional cleaning materials and supplies, additional janitorial contracting.

Healthy Marriage & Responsible Fatherhood (HMRF) and Health Profession Opportunity Grant (HPOG)

- Equipment and supplies needed by staff and participants to support remote delivery of program services and training, including:
 - Internet connectivity:
 - Services, such as fees for internet service plans or for data.
 - Equipment, such as laptops and hotspots.
 - Videoconferencing:
 - Services, such as videoconferencing subscriptions.
 - Equipment, such as cameras and headphones.
 - Phone cards.
 - Secure file sharing for the transmission and storing of required eligibility documents that contain sensitive information, such as PII.
- Equipment, supplies, and contracted services needed to re-open in-person locations for services, including:
 - Cleaning equipment and supplies, including increased janitorial cleaning.
 - Costs for reconfiguring/remodeling workspace to meet CDC guidance on social distancing. Includes cubicles, protective glass, and group meeting rooms.
 - PPE, including masks and gloves, and hand sanitizer.
 - COVID-19 monitoring tools, such as temperature gauges.
 - Supplies (and materials) that can be easily cleaned and substituted for (previously-reusable) materials that create a high risk of virus retention and transmission.

Office of Head Start (OHS)

OHS will issue guidance in addition to this memo.

1. Equipment and supplies needed to support remote delivery of program services, such as electronic tablets, notebook computers, phone cards, internet access.
2. Costs associated with meals and snacks that are not subject to reimbursement by USDA delivery charges, packaging, special dietary needs.
3. Equipment, supplies and contracted services needed to prepare centers to re-open and deliver services when service delivery is subject to federal, state or local mandates such as testing, protective equipment, distancing and group size. This may include items such as personal protective equipment, thermometers, additional cleaning materials and supplies, room dividers, additional janitorial contracting.
4. Minor renovations needed to establish isolated pick-up and drop-off areas and separate areas for children with potential COVID-19 symptoms.
5. Supplies (and materials) that can be easily cleaned and substituted for soft materials that create a high risk of virus retention and transmission.
6. Personnel and fringe benefit costs needed to adjust staffing to meet reduced group size mandates, social distancing requirements and isolation of children with potential COVID-19 symptoms.

7. Increased numbers of employed or contracted staff to address anticipated health, mental health and social service needs during ongoing virtual service delivery and upon center-based service resumption.

Office of Refugee Resettlement

Depending on the purposes of the specific grant project, ORR will allow the following costs. Not all expenses are applicable to all ORR grant activities:

1. Laptops, computers, and/or tablets, and video-conferencing subscriptions for staff and/or clients to enable provision of and access to remote/online services.
2. Cell phones and associated fees for staff and/or clients.
3. Phone cards, data plans, hotspots, and/or internet access and associated fees for staff and/or clients.
4. Fees associated with the use of language lines and other interpretation services.
5. Costs associated with transportation of clients to appointments, when volunteer services are unavailable due to declined volunteerism.
6. Overtime for staff due to declined volunteerism.
7. Mental health counseling, including remote/virtual, for staff and clients.
8. Training costs for staff/clients associated with remote/online service delivery.
9. Culturally appropriate training materials.
10. Costs associated with printing and mailing activities and services.
11. Equipment, supplies, and contracted services needed to prepare agencies to re-open for in-person services, such as personal protective equipment (PPE: masks and gloves), additional cleaning materials and supplies, room dividers, and additional janitorial contracting.
12. PPE and cleaning supplies to help clients maintain healthy and safe living environments.

Office on Trafficking in Persons (OTIP)

National Human Trafficking Hotline

1. Piloting an outreach program, leveraging the BeFree text line, to contact at risk individuals who may be sheltering in place with exploiters.
2. Increased coverage of remote operating costs related to shelter-in-place orders.

Trafficking Victim Assistance Program

1. Increased coverage of medical costs to include direct costs and copayments related to testing and treatment of COVID-19, and medication.
2. Costs associated with expenses to prevent the spread/exposure of COVID-19 such as sanitation or workplace and personal protective equipment (PPE, including masks, gowns, and gloves). Costs associated with additional janitorial and cleaning services.
3. Costs associated with remote case management capabilities.
4. Overtime for staff as volunteers are no longer available.
5. Increase the proportion of allowable case management support related to COVID-19 from 40 percent to up to 50 percent.

Domestic Victims of Human Trafficking Program

1. Increased coverage of medical costs to include direct costs and copayments related to testing and treatment of COVID-19, and medication.
2. Costs associated with expenses to prevent the spread/exposure of COVID-19 such as sanitation or workplace and personal protective equipment (PPE, including masks, gowns, and gloves). Costs associated with additional janitorial and cleaning services.
3. Overtime for staff as volunteers are no longer available.
4. Hiring of employment support positions to assist clients who have lost employment to seek new job opportunities.

Look Beneath the Surface Regional Anti-Trafficking Program

1. Costs associated with expenses to prevent the spread/exposure of COVID-19 such as sanitation or workplace and personal protective equipment (PPE, including masks, gowns, and gloves). Costs associated with additional janitorial and cleaning services.
2. Overtime for staff as volunteers are no longer available.