

paragraphs (b) through (e) of this section apply to SCSEP grants.

(b) *Claims against the Government.* For all types of entities, legal expenses for the prosecution of claims against the Federal Government, including appeals to an Administrative Law Judge, are unallowable.

(c) *Lobbying costs.* In addition to the prohibition contained in 29 CFR part 93, SCSEP funds must not be used to pay any salaries or expenses related to any activity designed to influence legislation or appropriations pending before the Congress of the United States or any State legislature. (See § 641.824).

(d) *Building repairs and acquisition costs.* Except as provided in paragraph (e) and as an exception to the allowable cost principles in § 641.847(b), no SCSEP funds may be used for the purchase, construction, or renovation of any building except for the labor involved in:

- (1) Minor remodeling of a public building necessary to make it suitable for use for project purposes;
- (2) Minor repair and rehabilitation of publicly used facilities for the general benefit of the community; and
- (3) Minor repair and rehabilitation by participants of housing occupied by persons with low incomes who are declared eligible for such services by authorized local agencies.

(e) *Accessibility and reasonable accommodation.* Recipients and subrecipients may use SCSEP funds to meet their obligations under section 504 of the Rehabilitation Act of 1973, as amended, and the Americans with Disabilities Act of 1990 to provide physical and programmatic accessibility and reasonable accommodation. (29 U.S.C. 794).

(f) *Participants' fringe benefit costs.* Recipients and subrecipients may use SCSEP funds for participant fringe benefit costs only under the conditions set forth in § 641.565.

#### **§ 641.853 How are costs classified?**

(a) All costs must be classified as "administrative costs" or "program costs." (OAA sec. 502(c)(6)).

(b) Recipients and subrecipients must assign participants' wage and fringe benefit costs and other participant (enrollee) costs, such as supportive services, to the "program cost" category. (See § 641.864). When participants are assigned to functions normally classified as administrative costs, recipient must charge the functions, but not the participants' wages and fringe benefits, to the "administrative cost" category.

#### **§ 641.856 What functions and activities constitute costs of administration?**

(a) The costs of administration are that allocable portion of necessary and reasonable allowable costs of recipients and subrecipients that are associated with those specific functions identified in paragraph (b) of this section and that are not related to the direct provision of programmatic services specified in § 641.864. These costs may be both personnel and non-personnel and both direct and indirect costs.

(b) The costs of administration are the costs associated with:

- (1) Performing overall general administrative and coordination functions, including:
  - (i) Accounting, budgeting, financial and cash management functions;
  - (ii) Procurement and purchasing functions;
  - (iii) Property management functions;
  - (iv) Personnel management functions;
  - (v) Payroll functions;
  - (vi) Coordinating the resolution of findings arising from audits, reviews, investigations and incident reports;
  - (vii) Audit functions;
  - (viii) General legal services functions; and
  - (ix) Developing systems and procedures, including information systems, required for these administrative functions;
- (2) Oversight and monitoring responsibilities related to administrative functions;
- (3) Costs of goods and services used for administrative functions of the program, including goods and services such as rental or purchase of equipment, utilities, office supplies, postage, and rental and maintenance of office space;
- (4) Travel costs incurred for official business in carrying out administrative activities or the overall management of the program; and
- (5) Costs of information systems related to administrative functions (for example, personnel, procurement, purchasing, property management, accounting and payroll systems) including the purchase, systems development and operating costs of such systems. (OAA sec. 502(c)(4)).

#### **§ 641.859 What other special rules govern the classification of costs as administrative costs or program costs?**

(a) Recipients and subrecipients must comply with the special rules for classifying costs as administrative costs or program costs set forth in paragraphs (b) through (f) of this section.

(b) Costs under awards to subrecipients or vendors that are solely for the performance of administrative functions are classified as administrative costs.

(c) Personnel and related non-personnel costs of staff who perform both administrative functions specified in § 641.856(b) and programmatic services or activities must be allocated as administrative or program costs to the benefiting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.

(d) Specific costs charged to an overhead or indirect cost pool that can be identified directly as a program cost must be charged as a program cost. Documentation of such charges must be maintained.

(e) Except as provided in paragraph (b) of this section, all costs incurred by vendors are program costs. (See 29 CFR 99.210 for a discussion of factors differentiating subrecipients from vendors).

(f) Costs of the following information systems including the purchase, systems development and operating (e.g., data entry) costs are charged to the "program cost" category:

- (1) Tracking or monitoring of participant and performance information;
- (2) Employment statistics information, including job listing information, job skills information, and demand occupation information; and
- (3) Local area performance information.

#### **§ 641.861 Must SCSEP recipients provide funding for the administrative costs of subrecipients?**

(a) Recipients and subrecipients must obtain funding for administrative costs to the extent practicable from non-Federal sources. (OAA sec. 502(c)(5)).

(b) SCSEP recipients must ensure that sufficient funding is provided for the administrative activities of subrecipients that receive SCSEP funding through the recipient. Each SCSEP recipient must describe in its grant application the methodology used to ensure that subrecipients receive sufficient funding for their administrative activities. (OAA sec. 502(b)(1)(R)).

#### **§ 641.864 What functions and activities constitute program costs?**

Program costs include, but are not limited to, the costs of the following functions:

- (a) Participant Wages and Fringe Benefits, consisting of wages paid and fringe benefits provided to participants for hours of community service assignments, as described in § 641.565;
- (b) Outreach, recruitment and selection, intake, orientation, assessment, and preparation and updating of IEPs;