



**LIMITATIONS ON COSTS FOR AWARDS
WITH THE SOUTH CAROLINA
DEPARTMENT OF DISABILITIES & SPECIAL NEEDS**

The following cost limitations shall apply to community program awards of DDSN.

1. Compensation for non-working provider officers

Disbursement of funds or other assets to an agency officer who has not performed in a work capacity is not an allowable cost. (This does not preclude transportation and other travel expenses related to attending agency board meetings and other agency related business from being reimbursed.)

2. Entertainment

The cost of non-consumer entertainment is not allowable for charges to DDSN awards.

3. Transportation

Transportation expenses to be reimbursable from grant funds must be either directly related to the provision of services for the recipient or integral to the operation of the program, provided they are not reimbursed from some other source. The expense of agency-owned automotive equipment by staff for personal business or non-work related transportation is not reimbursable from award funds.

4. Bad debts

Bad debts are not an allowable cost item from award funds. Bad debts should be treated as a deduction from income.

5. Donations

Donations or contributions are not allowable cost items from award funds. Donations are defined as a gift of cash or in-kind services to other organizations and/or persons external to the program activities funded through the award. This exclusion does not apply to funds paid to other organizations as part of contracts for specific services.

6. Non-consumer meals

Non-consumer meals are not allowable costs for award funds. Non-consumer meals are defined as meals consumed by parents, guests, and staff when staff attendance with the consumer is not programmatically mandatory.

7. Interest

Interest costs on borrowed funds which are required to provide program services to consumers, or reasonably related to consumer services, is reimbursable from grant award funds. The following examples of interest costs are not reimbursable by award funds:

- a. Funds borrowed for investment purposes.
- b. Funds borrowed to create working capital in excess of three months' operating costs.
- c. Funds borrowed for the personal benefit of employees, officers, or board members of the provider.
- d. Funds borrowed without prior written approval of DDSN for the purchase of land, buildings, and/or equipment for future expansion.
- e. Interest costs in excess of prime interest paid by the provider to persons or organizations who are related to the provider through control, ownership, or family relations.
- f. Interest paid to related persons or organizations as defined in (9.) c. below.

8. Intra-provider fund loan interest charges

Interest costs for intra-provider loans among funds are not a reimbursable cost from award funds. A provider is defined as an organizational entity with a single Federal Employer's Identification Number.

9. Rentals

a. Rental income

Any rental income received by a provider must be used to reduce the reimbursable cost by award funds for the item rented provided the cost item is allowable.

b. Rental costs of buildings and equipment

Rental costs for buildings and equipment which are reasonable in relation to the local market for these items and which are necessary to provide program services to consumers or reasonably related to consumer care are reimbursable expenses. Any lease payments made to any organization for facility rental is treated as a third-party transaction and allowable cost equals the actual lease costs or the fair rental value for similar properties in the area, whichever is less.

- c. Costs resulting from transactions with related persons or organizations will be considered as a part of the provider's allowable costs to the extent that the purchases represent the actual cost to the related persons or organizations. For example, provider may rent a building from a related organization or person. The costs recognized for reimbursement purposes are the actual costs to the related person or organization (such as depreciation, interest on mortgage, real estate taxes, insurance and other program approved expenses) rather than the rental amount paid by the provider to the related person or organization. Thus, the net effect is to treat the rented facility as though it were owned by the agency.

- d. The following definitions will be applied in determining the existence of common ownership or control between a provider and the supplying person or organizations:
- i. Relatives of the provider staff or of those who have control or common ownership include husband, wife, natural parent, child, sibling, adopted child, adoptive parent, stepparent, stepchild, stepbrother, stepsister, father-in-law, mother-in-law, daughter-in-law, son-in-law, brother-in-law, sister-in-law, grandparent and grandchild.
 - ii. Related to the provider or those who have control or common ownership means that to a significant extent there exists on the part of the provider providing care an association with the person or organization furnishing the service, resources, facilities or supplies.
 - iii. Control exists when a person or organization has the power, directly or indirectly, to influence or direct the actions or policies of a provider or the provider's funded program.
 - iv. Common ownership exists when a person or persons possess part or full ownership or equity in the provider being funded and the person or organization servicing the provider.

The above definitions shall be applied as a rule in the determination as to whether there exists common ownership or control between the provider and the supplying person or organization. This rule applies whether the providing person or organization is a sole proprietorship, partnership, corporation, trust or estate, or any other form of business organization, proprietary, or nonprofit.

10. Sales of goods or services

For funded sheltered workshops or work activity programs, the costs of recipient wages and material acquisition are not allowable from award funds when the product or service produced by the recipient is marketable and when the revenue covers costs. Any costs incurred by the provider for the sales of goods or services are not reimbursable from award funds to the extent that the costs are covered by revenue.

11. Fund raising

Costs associated with fund raising are not allowable for awards. These costs should be paid from the proceeds of the fund raising activities.

12. Reserve funds

Providers may establish reserves of fund balances for specific future capital outlays such as major repairs, and replacement of buildings and vehicles. Capital outlays are expenditures that result in the acquisition of or addition to fixed assets, which are assets of a long-term nature. If a reserve fund is established by a governing board, restrictions must be developed to avoid transferring monies out of the fund to cover recurring operating expenditures. Providers may consider computing the amount to transfer into the reserve funds on the basis of depreciation or projected replacement cost of the assets.