

IDENT	FIN-08
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SUBJECT: Cost Policy Statement

1. Purpose of Policy

Vermont Information Technology Leaders, Inc. (VITL) may be the recipient of Federal grant funds, the use of which is subject to certain Notices of Grant Awards (“NGAs”) and Health Human Services (“HHS”) grant administration regulations found in 45 C.F.R. Part 75—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR HHS AWARDS. It is the intention of VITL to satisfy the policy requirements of such regulations in the event that compliance is required pursuant to the awarding of federal grants in the future. Therefore, the purpose of this policy is to ensure that costs incurred by VITL are recorded in conformity with accounting principles generally accepted in the United States of America ("GAAP") and in compliance with federal regulations.

2. Scope

- a. This Policy shall be construed and applied to promote VITL’s compliance with the applicable Federal and State rules, regulations, and laws. In the event of a conflict between the provisions of this Policy and the requirements of an applicable state or federal statute or regulation, the applicable statute or regulation shall prevail.
- b. This policy applies to the incurrence of and accounting for all cost by VITL regardless of funding source.
- c. This Policy sets forth internal guidelines for the benefit of VITL and its officers, directors, employees and agents, and does not confer any right or other benefit on any third party. The provisions of this Policy may not be used by any third party in any action or other proceeding against VITL or its interests.

3. Cost Policy Statement

- a. Responsibility:
 - i. VITL is responsible for the efficient and effective conduct of its business, including administration of Federal awards, through the application of sound management practices.
 - ii. VITL is responsible for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal awards, whether as a direct recipient or as a pass-through sub-recipient through the State of Vermont.
 - iii. VITL, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and

management techniques may be necessary in order to assure proper and efficient administration of the Federal awards.

- iv. VITL is responsible for employing cost principles that satisfy the federal requirements and GAAP applied on a consistent basis.
 - I. The application of this cost policy should require no significant changes in the internal accounting policies and practices of VITL. However, VITL's accounting practices must be consistent with and support the accumulation of costs as required by the Uniform Guidance, and must provide for adequate documentation to support costs charged to the Federal awards.

4. Eligibility:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- a. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under the principles of the Uniform Guidance.
- b. Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of VITL.
- d. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- e. Be determined in accordance with generally accepted accounting principles (GAAP).
- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §75.306(b).
- g. Be adequately documented.
- h. Be allocated net of applicable credits.
 - i. 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. In determining reasonableness of a given cost, consideration must be given to:
 - I. Whether the cost is of a type generally recognized as ordinary and necessary for VITL's operation or the proper and efficient performance of the Federal award.
 - II. The restraints or requirements imposed by such factors as: Sound business practices; arm's-length bargaining; Federal, state, local, and other laws and regulations; and terms and conditions of the Federal award.
 - III. Market prices for comparable goods or services for the geographic area.
 - IV. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to VITL its employees, the public at large, and the Federal Government.

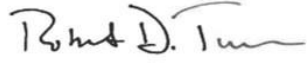


- V. That VITL does not significantly deviate from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.
- VI. Provided that a cost is consistent with the foregoing principles and is not found in other relevant VITL policies, the CEO in consultation with the CFO may authorize the expenditure.

5. Allocability

- a. VITL will account for costs as direct, indirect or unallowable costs.
- b. VITL will incorporate the provision of the Uniform Administrative Guidance (2 CFR Part 200 Subpart E, 45 CFR Part 75 Subpart E or other applicable federal regulations) in order to define allowability for federal award purposes.
- c. A cost is allocable if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:
 - i. Is incurred specifically for the Federal award;
 - ii. Benefits both the Federal award and other work of VITL and can be distributed in proportions that may be approximated using reasonable methods; and
 - iii. Is necessary to the overall operation of VITL and is assignable in part to the Federal award in accordance with the principles in this subpart.
- d. All activities which benefit from VITL's indirect costs, including unallowable activities and donated services by VITL or third parties, will receive an appropriate allocation of indirect costs.
- e. Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude VITL from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.
- f. Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.
 - i. Indirect costs:
 - l. For any year in which VITL operates under a government-funded agreement, VITL will establish an Indirect Cost Rate (ICR).

6. Policy Review & Approval

VITL will review this policy every two years and reserves the right to update this policy at any time to reflect VITL's intentions and compliance requirements.

 _____ Reviewed by: CFO	<u>12/17/19</u> Date
 _____ Approved by: CEO	<u>12/17/19</u> Date
Approved by the VITL Board of Directors and effective December 17, 2019:	
 _____ Bruce Bullock, MD, VITL Board Chair	