



## Prior Approval

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### **OF INTEREST TO**

The Office of Early Learning (OEL, the Office), Early Learning Coalitions (ELCs, Coalitions), and other direct subrecipients of OEL implementing federal and state early learning programs.

### **AUTHORITY**

2 CFR §200 – Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

45 CFR §75 – U.S. Department of Health and Human Services (HHS) Administrative Regulations.

### **BACKGROUND**

OMB Uniform Grant Guidance (UGG) and USDHHS regulations establish cost principles and standards for determining allowable activities and costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements. Some administrative requirements and cost items are allowable only with prior approval from the awarding agency. Coalitions and other direct subrecipients must obtain prior approval from OEL for applicable administrative requirements and cost items within 2 CFR §200 and 45 CFR §75.

Per 45 CFR 75.407, under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to be determined. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, coalitions and other direct subrecipients may seek the prior written approval from OEL in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances within of 2 CFR §200.407 and parts of 45 CFR §75.407.

Any acquisition that will be capitalized for financial statement purposes requires prior approval for grant reporting purposes. For the equipment and other capital expenditures cost item, prior approval must be requested for all items that meet the lesser of the requestor's capitalization threshold or \$5,000. Acquisitions or creation of software applications that meet the capitalization requirements of generally accepted accounting principles also require prior approval.

### **DEFINITIONS**

#### **Prior Written Approval**

Written approval by an “authorized official” evidencing prior consent before a recipient undertakes certain activities or incurs specific costs (45 CFR §75.2).

#### **Authorized Official**

For purposes of this guidance, the OEL Financial Administration and Budget Services Manager and/or his/her delegate is the authorized official.

## INSTRUCTIONS

A comprehensive list of the administrative requirements and cost items requiring prior approval is provided in Attachment III - Prior Approval Reference Guide. OEL allows annual prior approval for some items, while others require individual prior approval, as identified in Attachment III.

To request prior approval from OEL: See Attachment IV - OEL How to Submit a Prior Approval Request

Retain clear supporting documentation for all costs associated with prior approval requests in order to establish that the expenditure:

- Meets the cost principles (is necessary and reasonable for proper and efficient performance and administration of the grant);
- Is authorized or not prohibited under federal, state, or local laws or regulations;
- Conforms to any limitations or exclusions set forth in the Uniform Guidance, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items; and
- Is consistent with applicable policies, regulations and procedures.

## OEL DISPOSITION

OEL will respond to submitted prior approval requests via the Office of Early Learning Financial Administration and Budget Portal within five business days from the date the request is submitted to OEL. OEL will notify the requestor if additional processing time is needed due to substantial research by the Office or where federal approval may be required.

OEL will provide the final disposition (approved or declined) on the prior approval request via the Office of Early Learning Financial Administration and Budget Portal.

Prior approval by OEL is only applicable to transactions funded in full or in part by monies received directly from OEL and other early learning related transactions funded by other monies subject to federal/state laws, rules, and program regulations (i.e., program income, match donations, etc.).

Prior approval by OEL is based on the limited information submitted with the request as justification for the proposed expenditure or action. OEL may question or disallow the expenditure if it is not in accordance with the facts presented or OMB and HHS requirements. Factors which may be considered by a monitor or auditor include, but are not limited to the following:

- Inadequate documentation
- Failure to follow internal (local), state, or federal policies or procedures
- Expenditure is determined either not necessary, not reasonable, not allocable, or not allowable
- Non-compliance with applicable federal or state laws or regulations

**Please note:** Costs submitted for prior approval remain subject to applicable federal/state grant program laws, rules, regulations and guidance regarding allowability. Prior approval does not limit OEL's ability to assess potential questioned or disallowed costs if a transaction receives prior approval but is later found to be prohibited.

### **EFFECTIVE DATE**

Issuance of this guidance represents approval by OEL management of the indicated procedures and related administrative forms. These procedures will be effective as of the date of this guidance. Revised June 30, 2017; effective date July 1, 2017. Revised and reissued July 1, 2019.

### **ATTACHMENTS**

Attachment III - Prior Approval Reference Guide

Attachment IV - How to Submit a Prior Approval Request

If you have questions or concerns regarding the guidance provided here, please contact the OEL Financial Administration and Budget Services Office at 850-717-8683.