



OKLAHOMA WORKFORCE DEVELOPMENT ISSUANCE #13-2013

TO: Workforce Investment Board Chairs
Workforce Investment Board Staff
Workforce Investment Fiscal Agents

FROM: Deidre Myers, Deputy Director
Office of Economic and Workforce Policy

DATE: August 7, 2013

SUBJECT: Supporting Documentation Requirements for Advertising & Public Relation Costs

RESCISSIONS: This policy rescinds OETI #03-2010.

CATEGORY: Policy category A.

PURPOSE: This policy is being re-released for the purpose of reissuing under the Oklahoma Department of Commerce (ODOC) policy naming convention and as reference to the rescission and update of OESC OETI #03-2010 issued on March 18, 2010. This policy does not change any previous guidance or content related to the Documentation Requirements for Advertising and Public Relation Costs.

BACKGROUND: U.S. DOL Financial Management Bulletin R4FMB No. 02-10 and the OMB cost principles (Circulars A-21, A-87, A-122 and 48 CFR Chapter 31) specifically address what advertising and public relations costs are allowable and unallowable (see Attachment A). Frequently, these costs are identified in an audit or a monitoring review as questioned costs with the potential to be disallowed. The majority of these costs are questioned because they are not sufficiently documented for the auditor/reviewer to determine allowability in accordance with the applicable cost principle. OMB cost principles define advertising and public relations costs as follows:

- The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, electronic or computer transmittals, and the like.
- The term public relations includes community relations and means those activities dedicated to maintaining the organization's image or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

The cost principles also generally agree that the following activities are allowable (in some cases, with conditions):

- Advertising costs:

- Personnel recruitment;
- Procurement activities;
- Disposal of surplus materials; and
- when necessary to meet grant requirement,
- Public relations costs:
 - When required by the grant;
 - For outreach efforts that involves the costs of communicating with public on specific activities or accomplishments sponsored by the grant, and
 - On matters of public concern, notices of Federal contract award, etc.

MESSAGE: When incurring advertising or public relations costs it is imperative that adequate source documentation be available to show:

- The purpose or intent of the activity;
- How the activity is necessary to the grant;
- That the cost for the activity is "reasonable;"
- What is included in the cost:
 - What was included in the advertisement or public relations activity, i.e., a script or description of what was being promoted;
 - Detailed specifics, i.e., when, where, how long, etc.; and
- When appropriate, that a "fair share" was allocated to the grant.

Most frequently, questioned costs become disallowed for the following reasons:

- Excessively high or unreasonable costs — Since advertising and public relations costs are normally high, it is imperative you incur only such costs that are necessary, reasonable, justifiable, and documented. For example:
 - Why is it necessary to run an ad in another city or state?
 - Why was the ad run for four consecutive weeks on two separate occasions?
 - Why was it necessary to run a quarter page ad?
- Costs are not properly allocated to all benefiting grants or programs — if the ad or public relations campaign benefits more than one program, the costs must be distributed to all programs based on an acceptable cost allocation methodology. A cost is allocable to a particular cost objective, such as a grant, in accordance with the relative benefits received. Therefore, the allocation methodology should be clearly defined and documented. For example, it could be based on:
 - The number of clients served by each program or funding source;
 - The number of intake personnel assigned to each program or funding source; or
 - The number of program staff members assigned to each program or funding source.
- Promotional costs that solely promote the institution rather than program services — The most frequent problem encountered with promotional costs occurs when items or activities, purchased in whole or in part with ETA grant funds, promote the organization (e.g., the organization's name, logo, address, web site or phone number)

rather than the specific services of the programs bearing the costs. Displaying only the web site, phone number or address is considered providing an access point to contacting the organization and by itself does not identify available services. The use of ETA grant funds to promote an organization, rather than the services of the ETA grant, is unallowable in accordance to the cost principles unless specifically authorized by the statute that governs the program.

In order for this type of activity to be determined allowable, it is imperative that some form of service(s) relative to the program(s) bearing the costs be identified. There can be no ambiguity on what service is being promoted by that activity.

ACTION REQUIRED: Please ensure that all advertising and public relations costs charged to ETA grants are reasonable, necessary, allowable and allocable to the grant. Where a cost has conditions imposed by any regulatory guidance, it is imperative that you document the allowability of that cost.

NOTE: ODOC issued guidance is subject to change pending new DOL regulation, audit requirements, or internal determinations on efficiencies and effectiveness to program delivery and stewardship of federal funds.

INQUIRIES: Questions regarding this issuance should be addressed to Tina Lindsay at Tina.Lindsay@OKCommerce.gov or (405) 815-5137.

Attachment A — Advertising and Public Relations Costs Metrics

References	Allowable Advertising Activity (Includes magazines, newspapers, radio and television, direct mail, electronic or computer transmittals. etc.)
A-21 J.1.c.(1) A-87 Att. B - 1.c.(1) A-122 Att. B - 1.c.(1) 48 CFR 31.205 - 34	Personnel recruitment
A-21 J.1.c.(2) A-87 Att. B - 1.c.(2) A-122 Att. B - 1.c.(2)	Procurement of goods and services
A-21 J.1.c.(3) A-87 Att. B - 1.c.(3) A-122 Att. B - 1.c.(3) 48 CFR 31.205 - 1(d)(1)(ii)	Disposal of scrap and surplus materials
A-21 J.1.c.(4) A-87 Att. B - 1.c.(4) A-122 Att. B - 1.c.(4) 48 CFR 31.205 - 1(d)(1)	Other specific purposes <u>necessary to meet grant requirements</u> Documentation must be sufficient to clearly show how the incurred cost(s) is needed to meet those requirements.
48 CFR 31.205 - 1(d)(1)(i)	Acquiring scarce items for contract performance
References	Allowable Public Relations Costs (Activities dedicated to maintaining the image of the institution or promoting understanding with the community or public.)
A-21 J.1.d.(1) A-87 Att. B - 1.d.(1) A-122 Att. B - 1.d.(1) 48 CFR 31.205 - 1(e)(1)	Costs Specifically <u>Required</u> by the grant.
A-21 J.1.d.(2) A-87 Att. B - 1.d.(2) A-122 Att. B - 1.d.(2) 48 CFR 31.205 - 1(e)(2)(ii)	Costs of communicating with public on <u>specific activities or accomplishments sponsored by the grant</u> (outreach efforts).
A-21 J.1.d.(3) A-87 Att. B - 1.d.(3) A-122 Att. B - 1.d.(3) 48 CFR 31.205 - 1(e)(2)(i)	Costs of general liaison with news media and government public relations offices <u>on matters of public concern, notices of Federal contract/grant award, financial matters, etc.</u>

References	Unallowable <u>Advertising and Public Relations Costs</u>
A-21 J.1.f.(1) A-87 Att. B – 1.f.(1) A-122 Att. B – 1.f.(1) 48 CFR 31.205 – 1(f)(1)	All advertising and public <u>not specifically authorized</u> in the Allowable Costs section
A-21 J.1.f.(2)(a)(b)(c) A-87 Att. B – 1.f.(2) A-122 Att. B – 1.f.(2)	Costs of meetings, conventions or other events related to other activities of the institution, including: <ul style="list-style-type: none"> • Costs of displays, demonstrations and exhibits; • Costs of meeting rooms or other special facilities used in conjunction with shows and other special events; and • Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings.
A-21 J.1.f.(3) A-87 Att. B – 1.f.(3) A-122 Att. B – 1.f.(3) 48 CFR 31.205 - 1(f)(6)	Costs of promotional items and memorabilia, including models, gifts and souvenirs.
A-21 J.1.f.(4) A-87 Att. B – 1.f.(4) A-122 Att. B – 1.f.(4) 48 CFR 31.205 – 1(f)(1)	Costs of advertising and public relations designed solely to promote the institution.
48 CFR 31.205 – 1(f)(3)	Costs of sponsoring meetings, conventions, symposia, seminars, and other special events when the principal purpose of the event is other than dissemination of technical information or stimulation of production.
48 CFR 31.205 - 1(f)(4)	Cost of ceremonies such as (i) corporate celebrations and (ii) new product announcements.
48 CFR 31.205 -1(f)(5)	Costs of promotional material, motion pictures, videotapes, brochures, handouts, magazines, and other media designed to call favorable attention to the contractor and its activities.
48 CFR 31.205 - 1(f)(7)	Costs of memberships in civic and community organizations.