

SELECTED AREAS OF COST

Chapter 15 – Contributions or Donations

Authoritative Sources

[FAR 31.205-8](#) Contributions or Donations

This chapter provides general audit guidelines for auditing contribution and donation related costs. Generally, a contribution is associated with a gift to a fund or collection while a donation is a gift to a charitable organization.

Background

Federal Acquisition Circular (FAC) 84-15, effective April 7, 1986, aligned various FAR Cost Principles with the requirements of The Defense Procurement Improvement Act of 1985, Public Law 99-145. The words "including cash, property and services, regardless of recipient" were added to the cost principle to match the language Congress provided in the Statute. The FAR council noted that;

“The Statute specifically applies to Department of Defense and Department of Energy covered contracts exceeding \$100,000. Because of the practical necessity to establish uniform cost principles, the applicability of the revisions has been extended to all contracts to which the commercial cost principles are applicable, including the contracts of all civilian agencies.”

General Audit Guidelines

Many contractors sponsor events and have corporate philanthropic programs. These costs can take many different forms and involve many different elements of cost. For example, it is common for contractors to sponsor community events, or to support causes for service members and their families. Although these types of activities may be commendable, the costs associated with them are not allowable, with the limited exception for participation in community service activities provided for in FAR 31.205-1(e)(3) which include, but are not limited to, blood bank drives, charity drives, savings bond drives, and disaster assistance. FAR 31.205-1(f)(8) also makes allowable the costs associated with the donation of excess food to nonprofit organizations pursuant to the Federal Food Donation Act of 2008 (42 USC 1792). All other contributions and donations, including cash, property and services, regardless of recipient, are expressly unallowable.

Chapter 15

FAR 31.201-2(d) requires contractors to maintain adequate supporting documentation to demonstrate that claimed costs comply with the applicable cost principles. However, this requirement does not mandate a prescriptive list of documentation. Therefore, the audit team should examine all documentation provided by the contractor and evaluate the totality of the evidential matter in making their determinations. Each audit requires auditor judgment based on the unique facts and circumstances.