

No. 631

SECTION: Finances

TITLE: Allowability of Costs
(Federal Programs)

CATASAUQUA AREA SCHOOL DISTRICT

ADOPTED: April 11, 2017

	631 – ALLOWABILITY OF COSTS (FEDERAL PROGRAMS)	1
1. Purpose	Expenditures must be aligned with approved budgeted items. Any changes or variations from the state-approved budget and grant application need prior approval from the state.	2 3 4 5 6
2. Definitions	The following words and phrases, when used in this policy, shall have the meaning given to them below:	7 8 9
	Coordinator — means the Coordinator of Instructional Technology & Federal Programs, except that with respect to federal awards relating to the District’s food service program, the term shall mean the Food Service Director.	10 11 12 13
2 CFR § 200.38	Federal award — means (1) federal financial assistance that the District receives directly from a federal awarding agency or indirectly from a pass-through entity, (2) a cost-reimbursement contract under the Federal Acquisitions Regulations that the District receives directly from a federal awarding agency or indirectly from a pass-through entity, and (3) the instrument setting forth the terms and conditions of the Federal award, including the grant agreement, cooperative agreement, other agreement for assistance under 2 CFR § 200.40(b) (<i>i.e.</i> , loans, loan guarantees, interest subsidies, and insurance), or the cost-reimbursement contract awarded under the Federal Acquisition Regulations.	14 15 16 17 18 19 20 21 22 23 24
3. Delegation of Responsibility	When determining how the school district will spend its grant funds under a federal award, the Coordinator will review the proposed cost to determine whether it is an allowable use of federal grant funds <i>before</i> obligating and spending those funds on the proposed good or service.	25 26 27 28 29
4. Guidelines	A. <i>Allowability Determinations.</i>	30 31
2 CFR § 302(b)(7); 34 CFR Parts 75-99; 2 CFR Part 3474; 2 CFR Part 200, Subpart E	All costs supported by federal education funds must meet the standards outlined in the Education Department General Administrative Regulations (EDGAR) (34 CFR Parts 75-99), 2 CFR Part 3474, and 2 CFR Part 200, Subpart E, which are listed below. The Coordinator must consider these factors when making an allowability determination. In doing so, the Coordinator should consider the questions in Part C of these guidelines, entitled <i>Helpful Questions for Determining Whether Costs are Allowable.</i>	32 33 34 35 36 37 38 39 40

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2 CFR Part 200 sets forth general cost guidelines that must be considered, as well as rules for specific types of items, both of which must be considered when determining whether a cost is an allowable expenditure of federal funds. The expenditure must also be allowable under the applicable program statute (e.g., Title I of the Elementary and Secondary Education Act (ESEA), or the Carl D. Perkins Career and Technical Education Act (Perkins)), along with accompanying program regulations, nonregulatory guidance, and grant award notification.

Restrictions in state and local rules or policy also must be considered. For example, travel expenses incurred by employees are not allowable unless they also are in compliance with Board Policy 627 (Travel Expenses) and related administrative regulations.

Whichever allowability requirements are stricter will govern whether a cost is allowable.

General allowability determination factors include the following:

1. **Be Necessary and Reasonable for the performance of the federal award.** 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 to incur the cost was made. For example, **reasonable** means that sound business practices were followed, and purchases were comparable to market prices.

When determining **reasonableness** of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the District or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm’s-length bargaining; federal, state, local, and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individual incurring the cost acted with prudence in the circumstances considering responsibilities to the District, its employees, its students, the public at large, and the federal government.

2 CFR §§
200.403(a),
200.404

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- Whether the District significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award’s cost.

Whether a cost is **necessary** will be determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the District can demonstrate that the cost addresses an existing need, and can prove it. For example, the District may deem a language skills software program necessary for a limited English proficiency program.

When determining whether a cost is **necessary**, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the federal award program.
- Whether the cost is identified in the approved budget or application.
- Whether there is an educational benefit associated with the cost.
- Whether the cost aligns with identified needs based on results and findings from a needs assessment.
- Whether the cost addresses program goals and objectives and is based on program data.

2 CFR § 200.405

2. **Allocable to the federal award.** A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program.

For example, if fifty percent (50%) of a teacher’s salary is paid with grant funds, then that teacher must spend at least fifty percent (50%) of his/her time on the grant program.

2 CFR § 200.403(c)

3. **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the school entity.**

2 CFR § 200.403(b)

4. **Conform to any limitations or exclusions set forth as cost principles in 2 CFR Part 200 or in the terms and conditions of the federal award.**

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2 CFR §
200.403(d)

2 CFR §
200.403(g)

2 CFR
§ 200.403(e)

2 CFR §
200.403(f)

2 CFR § 200.406

2 CFR §§
200.420 –
200.475

5. **Consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
6. **Adequately documented.** All expenditures must be properly documented.
7. **Be calculated in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in 2 CFR Part 200.**
8. **Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.** Some federal program statutes require the nonfederal entity to contribute a certain amount of nonfederal resources to be eligible for the federal program.
9. **Be the net of all applicable credits.** The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate.

B. *Selected Items of Cost.*

Subpart E of 2 CFR Part 200 sets forth principles to be applied in establishing the allowability of fifty-five (55) specific cost items (commonly referred to as “Selected Items of Cost”), at 2 CFR §§ 200.420-200.475. These specific cost items are listed in the chart below, along with the citation to the section of Subpart E addressing the allowability of that item. These principles are in addition to the other general allowability standards, and apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. Meeting the specific criteria for a listed item does not by itself mean the cost is allowable, as it may be unallowable under other standards or for other reasons, such as restrictions contained in the terms and conditions of a particular grant or restrictions established by the state or in Board policy. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

District personnel responsible for spending federal grant funds and for determining allowability must be familiar with and refer to the 2 CFR Part 200 Selected Items of Cost section. These rules must be followed when charging these specific expenditures to a federal grant. When applicable,

employees must check costs against the Selected Items of Cost requirements to ensure the cost is allowable, and also check state, District, and program-specific rules.

The Selected Items of Cost addressed in 2 CFR Part 200 include the following (in alphabetical order):

Item of Cost: **Citation of Allowability Rule:**

Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Alumni/ae activities	2 CFR § 200.424
Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments	2 CFR § 200.428
Commencement and convocation costs	2 CFR § 200.429
Compensation – personal services	2 CFR § 200.430
Compensation – fringe benefits	2 CFR § 200.431
Conferences	2 CFR § 200.432
Contingency provisions	2 CFR § 200.433
Contributions and donations	2 CFR § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435
Depreciation	2 CFR § 200.436
Employee health and welfare costs	2 CFR § 200.437
Entertainment costs	2 CFR § 200.438
Equipment and other capital expenditures	2 CFR § 200.439
Exchange rates	2 CFR § 200.440
Fines, penalties, damages and other settlements	2 CFR § 200.441

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Item of Cost: **Citation of Allowability Rule:**

Fund raising and investment management costs	2 CFR § 200.442
Gains and losses on disposition of depreciable assets	2 CFR § 200.443
General costs of government	2 CFR § 200.444
Goods and services for personal use	2 CFR § 200.445
Idle facilities and idle capacity	2 CFR § 200.446
Insurance and indemnification	2 CFR § 200.447
Intellectual property	2 CFR § 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR § 200.450
Losses on other awards or contracts	2 CFR § 200.451
Maintenance and repair costs	2 CFR § 200.452
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454
Organization costs	2 CFR § 200.455
Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461
Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464
Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466

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Item of Cost:

Citation of Allowability Rule:

Selling and marketing costs	2 CFR § 200.467
Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473
Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.475

C. *Helpful Questions for Determining Whether Costs are Allowable.*

In addition to applying the cost principles and standards described above, District staff involved in expending federal funds should ask the following questions when assessing the allowability of a particular cost:

1. Is the proposed cost allowable under the relevant program?
2. Is the proposed cost consistent with an approved program plan and budget?
3. Is the proposed cost consistent with program specific fiscal rules? For example, the District may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources, or only as a match for funds from nonfederal sources.
4. Is the proposed cost consistent with the Education Department General Administrative Regulations (EDGAR)?
5. Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?
6. Is the proposed cost consistent with the underlying needs of the program? For example, program funds must benefit the appropriate population of students for which they are allocated. This means that, for instance, funds allocated under Title III of the Elementary and Secondary Education Act (ESEA) governing language instruction

34 CFR Parts 75-99

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programs for Limited English Proficient (LEP) students must only be spent on LEP students and cannot be used to benefit non-LEP students.

7. Will the cost be targeted at addressing specific areas of weakness that are the focus of the program, as indicated by available data?

Any questions related to specific costs should be forwarded to the Coordinator, who shall consult with the District Solicitor for clarification as appropriate.

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