

## Allowable Costs for Federal Programs

Expenditures under federal programs are governed by the Federal Cost Principles contained in 2 CFR Part 200 Subpart E – Cost Principles. The district is committed to ensuring that costs claimed under Federal awards follow these cost principles as well as any special terms and conditions contained in the award. Additionally, as a grantee, the district is required to follow the more restrictive of the federal, state, and district policies.

When applying these cost principles, the district will:

- Maintain responsibility for the efficient and effective administration of the Federal award through the application of sound management practices;
- Assume responsibility for administering federal funds in a manner consistent with underlying agreements, program objectives and the terms and conditions of the federal award; and
- Apply accounting practices that are consistent with the cost principles, support the accumulation of costs as required by the principles, and provide for adequate documentation to support costs charged to the federal award.

The district will maintain a system of internal controls over federal expenditures to provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the above referenced cost principles. Those controls will meet the following general criteria:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles;
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the district;
- Be accorded consistent treatment;
- Be determined in accordance with generally accepted accounting principles;
- 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; and
- Be adequately documented.

Cross References: 1610 - Conflicts of Interest  
6101 - Federal Cash and Financial Management  
6210 - Purchasing: Authorization and Control  
6220 - Bid Requirements  
6801 - Capital Assets/Theft-Sensitive Assets

Legal References: 2 CFR Part 200, Subpart E

Management Resources: 2015 - December Issue

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The purpose of this procedure is to ensure federal funds are spent only on allowable activities in accordance with CFR Part 200 Subpart E – Cost Principles, other special terms or conditions of the grant award, and/or other applicable state and federal guidelines. In determining allowable costs, the district will use the guiding principles as established in the Allowable Costs Policy 6106.

Two categories of costs may be charged to a Federal award. The first are direct costs, which are costs that directly benefit the activity and are easy to identify. The second are indirect costs, which are costs that either benefit the activity in an indirect manner or directly benefit the activity but the complexity of adequately identifying the costs as such outweighs the benefit of charging them directly.

Costs will meet the requirements of necessary and reasonable when they do not exceed those which would be incurred by a prudent person under the circumstances at the time the decision was made to incur the cost. District employees will use the following questions to determine reasonable and necessary costs:

- Does the district really need this item/service?
- Is the expense targeted to a valid programmatic/administrative need?
- Is this the minimum amount we need to spend to meet our needs?
- Do we have the capacity to use what we are purchasing?
- If we were asked to defend this purchase, would we be able to?
- Did we pay a fair rate?

The district will implement a reasonable method of allocating costs that equates to the relative benefit received by the program for the proportion of the costs charged to the program.

### Period of Performance

Federal funds may be obligated on the later of the date funds become available or the submission date of the grant application, either in full form, or “Substantially Approvable Status (SAS)”, depending on the terms of the Federal award.

Federal funds may not be expended subsequent to the end date of the grant except to liquidate allowable obligations that were made on or before that date. All liquidations of prior obligations must be made within 90 days of the grant end-date, or an earlier date established by the granting agency.

The following table indicates the date that an expenditure is determined to be obligated:

IF THE OBLIGATION IS FOR	THE OBLIGATION WAS MADE
Acquisition of real or personal property	On the date on which the district makes a binding written commitment to acquire the property
Personal services by an employee of the district	When the services are performed
Personal services by a contractor who is not an employee of the district	On the date on which the district makes a binding written commitment to obtain the services
Performance of work other than personal services	On the date on which the district makes a binding written commitment to obtain the work
Public utility services	When the district receives the services
Travel	When the travel is taken
Rental of real or personal property	When the district uses the property

**Direct Costs**

Expenditures charged directly to a federal grant award will follow all district policies and procedures as well as federal requirements applicable to those costs, including, but not limited to; procurement requirements, property standards, travel policies, and cost criteria established by 2 CFR Part 200, Subsection E, as identified in the allowable cost policy. Additionally, all direct expenditures will be allowable under the terms of the grant award and program regulations. Requirements followed will be the more restrictive of the local, state, or federal regulations associated with a particular type of expenditure.

Staff responsible for reviewing expenditures for allowability will be familiar with the allowable costs of all programs reviewed. Staff responsible for budget and expenditure monitoring will be responsible for ensuring all charges are reviewed by appropriate staff for allowability.

Prior approvals of expenditures, as stated in 2 CFR, Part 200 and the grant award terms, will be obtained prior to the expenditure being obligated. Expenditures will be supported by adequate documentation including all pertinent details that assists in determining the item was allowable.

**Indirect Costs**

Federal grant awards will include an amount of indirect expenditures that districts are entitled to for organization wide costs of the grantee that benefit the federal program being administered by the district, unless specifically disallowed by the terms of the grant award.

Indirect rates are negotiated by the district’s cognizant or oversight agency and can be applied to all Federal awards the district receives.

For grants awarded by the Office of Superintendent of Public Instruction (OSPI), indirect rates are calculated annually based on financial information obtained through the F-196. OSPI negotiates the indirect cost rate calculation methodology with the Department of Education every 5 years.

There are two types of federal indirect costs. A restricted rate is used for any federal program

that has a “supplement, not supplant” requirement, which means the federal money is used to supplement the amount of money that a district has to spend on a particular program, and is not used “in place of” state/local funds. An unrestricted rate is used for programs that do not have a “supplement, not supplant” requirement.

The district is not required to claim any or all of the indirect amount they are entitled to, but may claim up to the full amount, as long as it is included in the district’s approved budget. The indirect rate may be applied to all allowable direct expenditures that will be claimed under a particular grant award, less some exceptions (e.g., indirect costs will only be applied to the first \$25,000 of an individual contract).

No expenditures will be charged through both a direct cost and an indirect cost.