

Penn Cambria School District Procedure

Allowability of Costs[1]

Procedure Description:

Under the Uniform Grant Guidance, effective December 26, 2014, organizations receiving federal grant funds must have a written allowability of costs procedure. A cost is allocable to a particular federal award if the goods/services involved are assignable to that federal award in accordance with relative benefits received. Federal funds must supplement the general fund and may not supplant it. A cost may not be charged to a federal award to overcome deficiencies, to avoid restrictions imposed by federal statutes, regulations or terms and conditions of the federal awards, or for other reasons. This procedure will identify the district's process for determining if a cost may be charged to a federal grant.[2]

District Procedure:

The primary roles/positions that oversee all local, state and federal grants awarded to the district are the Superintendent, Federal Programs Coordinator and Business Administrator. Additional staff may be asked to participate depending on the focus of the grant.

Staff requesting materials, supplies, equipment or services to be paid from a grant must submit a written request to the Federal Programs Coordinator. The Federal Programs Coordinator will verify that the expense was approved in the original grant application. If it is an unbudgeted cost, the request will be reviewed to determine if the cost is allowable for a specific federal grant:

Cost Allowability Checklist:

- Necessary, Reasonable and Allocable
- Conform with federal law and grant terms
- Consistent with state and local policies
- Consistently treated
- In accordance with GAAP
- Not included as match
- Net of applicable credits
- Adequately documented

If allowability cannot be determined, an email will be sent to the appropriate contact at the cognizant agency for prior written approval. All costs must meet the standards outlined in EDGAR, 2 C.F.R. Part 3474 and 2 C.F.R. Part 200, Subpart E. There are fifty-five (55) specific cost items addressed in 2 C.F.R. Part 200. If the state's rules are more restrictive than the federal rules, districts must follow the more restrictive state rules.[3]

A requisition will be initiated by Federal Program Coordinator staff in the district's financial accounting system (FAS). The requisition will then flow through an electronic approval chain as follows: Federal Program Coordinator, Superintendent and Business Administrator.

Subsequently, an official purchase order obligating the grant funds will be generated by the Fiscal Assistant. The regular accounts payable process will be followed to issue payment to the vendor.

Additional Resources

e-CFR-Electronic Code of Federal Regulations www.ecfr.gov/
Item of Cost – Citations: 2 C.F.R. 200.421 – 200.475

U.S. Department of Education www.ed.gov

Pennsylvania Department of Education www.education.pa.gov

Definitions

§220.404 Reasonable costs[4]

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 was made to incur the cost. The question of reasonableness is particularly important when the non-federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-federal entity or the proper and efficient performance of the federal award.
2. The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; federal, state, local, tribal, and other laws and regulations; and terms and conditions of the federal award.
3. Market prices for comparable goods or services for the geographic area.
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-federal entity, its employees, where applicable its students or membership, the public at large, and the federal government.
5. Whether the non-federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost.

§220.405 Allocable costs [5]

1. A cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in

accordance with relative benefits received. This standard is met if the cost:

- a. Is incurred specifically for the federal award;
 - b. Benefits both the federal award and other work of the non-federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
 - c. Is necessary to the overall operation of the non-federal entity and is assignable in part to the federal award in accordance with the principles in this subpart.
2. All activities which benefit from the non-federal entity’s indirect cost, including unallowable activities and donated services by the non-federal entity or third parties, will receive an appropriate allocation of indirect costs.
 3. Any cost allocable to a particular federal award under the principles provided for in this part may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by federal statutes, regulations, or terms and conditions of the federal awards, or for other reasons. However, this prohibition would not preclude the non-federal entity from shifting costs that are allowable under two (2) or more federal awards in accordance with existing federal statutes, regulations, or the terms and conditions of the federal awards.
 4. Direct cost allocation principles. If a cost benefits two (2) or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two (2) or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph 3 of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a federal award, the costs are assignable to the federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.
 5. If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

The following table shows when a state or a subgrantee makes obligations for various kinds of property and services.[6]

If the obligation is for –	The obligation is made -
a) Acquisition of real or personal property	On the date on which the state or subgrantee makes a binding written commitment to acquire the property.

b) Personal services by an employee of the state or subgrantee	When the services are performed.
c) Personal services by a contractor who is not an employee of the state or subgrantee	On the date on which the state or subgrantee makes a binding written commitment to obtain the services.
d) Performance of work other than personal services	On the date on which the state or subgrantee makes a binding written commitment to obtain the work.
e) Public Utility services	When the state or subgrantee receives the services.
f) Travel	When the travel occurs.
g) Rental of real or personal property	When the state or subgrantee uses the property.
h) A preagreement cost that was properly approved by the state under the cost principals identified in 34 CFR 74.171 and 80.22	

Legal

1. 2 C.F.R. 200.302
2. 2 C.F.R. 200.405
3. 2 C.F.R. 200.407
4. 2 C.F.R. 200.404
5. 2 C.F.R. 200.405
6. 34 CFR 76.707

Pol. 610
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