

Carroll County Public Schools

Determining Allowability of Costs

Expenditures of federal grant funds must be aligned with an approved budget. Any changes or variations from the approved budget (above the identified percentage limit) require prior written approval from the funder.

When determining how Carroll County Public Schools (CCPS) will expend grant funds, the designated grant project coordinator will review the proposed cost to determine whether it is an allowable use of federal funds *before* obligating and spending funds on the proposed good or service. All costs supported by federal funds must meet the requirements articulated in the federal enacting statute and associated regulations, as well as the standards outlined in the uniform grant guidance 2 CFR Part 200. The grant project coordinator, his/her staff, and the grants accountant must consider these factors when making an allowability determination. The proposed cost must:

- **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. *Reasonable* means that sound business practices were followed and the cost is comparable to market prices.
 - When determining reasonableness, consideration must be given to:
 - Whether the cost is a type generally recognized as ordinary and necessary for CCPS and is necessary for the proper and efficient performance of the federal award;
 - Sound business practices, arm's length bargaining, other federal and state requirements and local policies and procedures have been followed;
 - The terms and conditions of the grant award;
 - Market prices for goods or services in the geographic area;
 - Whether the individuals involved in the expenditure acted with prudence in the circumstances;
 - Whether this expenditure is a deviation from established CCPS policies and practices.
 - When determining if a cost is necessary, the needs of the program must be the determining factor. Specifically, the expenditure must be necessary to achieve an important program objective, consistent with the goals outlined in the program statute. Consideration should be given to:
 - Whether the cost is needed for the proper and efficient performance of the grant program;
 - Whether the cost is identified in the approved budget/application for funds;
 - Whether the cost aligns with specific needs identified in a needs assessment;
 - Whether the cost addresses program goals and objectives based on data.

- **Be allocable to the federal award.** A cost is allocable to a federal award if the goods or services involved are chargeable or assignable to that federal award in accordance with the relative benefits received.
 - When determining allocability, consideration must be given to:
 - Whether the cost is incurred specifically for the federal award;
 - If the cost benefits both the federal award and other work of CCPS, the cost must be distributed in a proportion that may be approximated using reasonable methods.

- **Be adequately documented.** All costs charged to a federal award must be sufficiently documented to provide assurance of control over and accountability for all funds, property, and other assets and to assure that they are used solely for authorized purposes.

- **Be net of all applicable credits.** Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the federal award. Examples include purchase discounts, rebates, and adjustments of overpayments. To the extent that these credits relate to a cost incurred under the federal award, they must be credited to the federal award.

2 CFR Part 200, Subpart E-Cost Principles must be considered when federal grant funds are expended. Federal rules require state- and CCPS-level rules and policies regarding expenditures be followed as well. The more narrow or strict requirements must prevail. For example, certain types of incentives may be allowable under the federal program but are not allowable under CCPS policy. Thus, grant funds cannot be expended for this item.

Supplement not Supplant

Many state administered programs require LEAs to use federal program funds to supplement the amount of state, local (and in some cases other federal) funds they spend on education costs, and not to supplant – or replace – those funds. Generally, the “supplement, not supplant” provision means that federal funds must be used to supplement the level of funds from non-federal sources by providing additional services, staff, programs, or materials. In other words, federal funds normally cannot be used to pay for things that would otherwise be paid for with state or local funds (and in some cases with other federal funds).

Auditors generally presume supplanting has occurred in three situations:

- District uses federal funds to provide services that the District is required to make available under other federal, state or local laws.
- District uses federal funds to provide services that the District provided with state or local funds in the prior year.
- District uses Title I, Part A or Migrant Education Program funds to provide the same services to Title I or Migrant students that the District provides with state or local funds to nonparticipating students.

These presumptions apply differently in different federal programs, and also in school-wide program schools. Staff should be familiar with the supplement not supplant provisions applicable to their program.

Enforcement

CCPS Department of Financial Services will enforce appropriate procedures and penalties for program, compliance, and accounting staff that are responsible for the allocation of Federal grant costs based on their allowability and their conformity with Federal cost principles governing determination of the allowability of costs (Education Department General Administrative Regulations, 2 C.F.R Part 200).

Selected Items of Cost

2 CFR Part 200, Subpart E-Cost Principles examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost). These items of cost are listed in the chart below, along with the citation where the item is discussed. Do not assume that an item is allowable because it is specifically listed; it may be unallowable despite its inclusion in the Selected Items of Cost section. The expenditure may be unallowable for a number of reasons, including if the express language of the statute and associated regulations state that it is unallowable; the terms and conditions of the grant award deem the item unallowable; state and/or local restrictions dictate that the item is unallowable. The item may also be unallowable because it does not meet one of the cost principles of reasonable and/or necessary. If an item is unallowable for any of these reasons, federal funds cannot be used to support the costs.

CCPS staff responsible for overseeing the expenditure of federal grant funds and for determining allowability must be familiar with and follow the Selected Items of Cost section of the uniform grant guidance. In addition, state, local, CCPS and program-specific rules may determine that a cost is unallowable and CCPS staff must adhere to these rules as well.

Selected item of Costs (in alphabetical order):

Citation of Allowability 2 CFR	Item of Cost
§200.421	Advertising and public relations.
§200.422	Advisory councils.
§200.423	Alcoholic beverages.
§200.424	Alumni/ae activities.
§200.425	Audit services.
§200.426	Bad debts.

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§200.427	Bonding costs.
§200.428	Collections of improper payments.
§200.429	Commencement and convocation costs.
§200.430	Compensation—personal services.
§200.431	Compensation—fringe benefits.
§200.432	Conferences.
§200.433	Contingency provisions.
§200.434	Contributions and donations.
§200.435	Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.
§200.436	Depreciation.
§200.437	Employee health and welfare costs.
§200.438	Entertainment costs.
§200.439	Equipment and other capital expenditures.
§200.440	Exchange rates.
§200.441	Fines, penalties, damages and other settlements.
§200.442	Fund raising and investment management costs.
§200.443	Gains and losses on disposition of depreciable assets.
§200.444	General costs of government.
§200.445	Goods or services for personal use.
§200.446	Idle facilities and idle capacity.
§200.447	Insurance and indemnification.
§200.448	Intellectual property.
§200.449	Interest.
§200.450	Lobbying.
§200.451	Losses on other awards or contracts.
§200.452	Maintenance and repair costs.

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§200.453	Materials and supplies costs, including costs of computing devices.
§200.454	Memberships, subscriptions, and professional activity costs.
§200.455	Organization costs.
§200.456	Participant support costs.
§200.457	Plant and security costs.
§200.458	Pre-award costs.
§200.459	Professional service costs.
§200.460	Proposal costs.
§200.461	Publication and printing costs.
§200.462	Rearrangement and reconversion costs.
§200.463	Recruiting costs.
§200.464	Relocation costs of employees.
§200.465	Rental costs of real property and equipment.
§200.466	Scholarships and student aid costs.
§200.467	Selling and marketing costs.
§200.468	Specialized service facilities.
§200.469	Student activity costs.
§200.470	Taxes (including Value Added Tax).
§200.471	Termination costs.
§200.472	Training and education costs.
§200.473	Transportation costs.
§200.474	Travel costs.
§200.475	Trustees.

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CCPS Allowability of Costs

Legal Authority: Program statute; Uniform Grant Guidance at 2 CFR 200 Subpart E; Financial Reporting Manual for Maryland Public Schools; CCPS policies and procedures.

All costs charged to a federal grant must be viewed through the lens of *necessary, reasonable, and allocable*, and *supplement not supplant* if applicable.

First level expenditure review – CCPS grant project coordinator and grant staff



Second level expenditure review – CCPS grants accountant



Third level expenditure review – periodic reviews by CCPS financial staff