

1 **Great Falls School District**

2  
3 **FINANCIAL MANAGEMENT**

7338

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5 **Allowability of Costs - Federal Programs**

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7 Expenditures must be aligned with approved budgeted items. Any changes or variations from the  
8 state-approved budget and grant application need prior approval from the state.

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10 **Delegation of Responsibility**

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12 When determining how the school district will spend its grant funds, the Director of Student  
13 Services will review the proposed cost to determine whether it is an allowable use of federal  
14 grant funds before obligating and spending those funds on the proposed good or service.

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16 **Allowability Determinations**

17 All costs supported by federal education funds must meet the standards outlined in EDGAR, 2  
18 CFR Part 3474 and 2 CFR Part 200, Subpart E, which are listed below. The Director of Student  
19 Services must consider these factors when making an allowability determination. A section  
20 entitled, Helpful Questions for Determining Whether Costs are Allowable, is located at the end  
21 of this document.

22  
23 Part 200 sets forth general cost guidelines that must be considered, as well as rules for specific  
24 types of items, both of which must be considered when determining whether a cost is an  
25 allowable expenditure of federal funds. The expenditure must also be allowable under the  
26 applicable program statute (e.g., Title I of the Elementary and Secondary Education Act (ESEA),  
27 or the Carl D. Perkins Career and Technical Education Act (Perkins)), along with accompanying  
28 program regulations, nonregulatory guidance and grant award notifications.

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30 Restrictions in state and local rules or policy also must be considered.

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32 General allowability determination factors include the following:

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34 1. **Be Necessary and Reasonable for the performance of the federal award.** A cost is  
35 reasonable if, in its nature and amount, it does not exceed that which would be incurred by a  
36 prudent person under the circumstances prevailing at the time the decision to incur the cost was  
37 made.

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

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- 41 • Whether the cost is a type generally recognized as ordinary and necessary for the  
42 operation of the district or the proper and efficient performance of the federal award.
  - 43 • The restraints or requirements imposed by factors, such as: sound business practices;  
44 arm's-length bargaining; federal, state and other laws and regulations; and terms and  
45 conditions of the federal award.
  - Market prices for comparable goods or services for the geographic area.

- 1 • Whether the individual incurring the cost acted with prudence in the circumstances  
2 considering responsibilities to the district, its employees, its students, the public at large,  
3 and the federal government.
- 4 • Whether the district significantly deviates from its established practices and policies  
5 regarding the incurrence of costs, which may unjustifiably increase the federal award's  
6 cost. (2 CFR Sec. 200.404)

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8 Whether a cost is **necessary** will be determined based on the needs of the program. Specifically,  
9 the expenditure must be necessary to achieve an important program objective. A key aspect in  
10 determining whether a cost is necessary is whether the district can demonstrate that the cost  
11 addresses an existing need, and can prove it.

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

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

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23 2. **Allocable to the federal award.** A cost is allocable to the federal award if the goods or  
24 services involved are chargeable or assignable to the federal award in accordance with the  
25 relative benefit received. This means that the federal grant program derived a benefit in  
26 proportion to the funds charged to the program. (2 CFR Sec. 200.405)

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

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

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34 5. **Consistent treatment.** A cost cannot be assigned to a federal award as a direct cost if any  
35 other cost incurred for the same purpose in like circumstances has been assigned as an indirect  
36 cost under another award.

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38 6. **Adequately documented.** All expenditures must be properly documented.

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40 7. **Be calculated in accordance with generally accepted accounting principles (GAAP),**  
41 **unless provided otherwise in Part 200.**

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43 8. **Not included as a match or cost-share, unless the specific federal program authorizes**  
44 **federal costs to be treated as such.** Some federal program statutes require the nonfederal entity  
45 to contribute a certain amount of nonfederal resources to be eligible for the federal program.  
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1 9. **Be the net of all applicable credits.** The term “applicable credits” refers to those receipts  
 2 or reduction of expenditures that operate to offset or reduce expense items allocable to the  
 3 federal award. Typical transactions include: purchase discounts; rebates or allowances;  
 4 recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To  
 5 the extent that such credits accruing to or received by the state relate to the federal award, they  
 6 shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate.  
 7 (2 CFR Sec. 200.406)

### 8 9 **Selected Items of Cost**

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11 Subpart E of Part 200 sets forth principles to be applied in establishing the allowability of fifty-  
 12 five (55) specific cost items (commonly referred to as Selected Items of Cost), at 2 CFR Sec.  
 13 200.420-200.475. These specific cost items are listed in the chart following along with the  
 14 citation to the section of Subpart E addressing the allowability of that item. These principles are  
 15 in addition to the other general allowability standards, and apply whether or not a particular item  
 16 of cost is properly treated as direct cost or indirect Facilities and Administration (F&A) cost.  
 17 Meeting the specific criteria for a listed item does not by itself mean the cost is allowable, as it  
 18 may be unallowable under other standards or for other reasons, such as restrictions contained in  
 19 the terms and conditions of a particular grant or restrictions established by the state or in Board  
 20 policy. If an item is unallowable for any of these reasons, federal funds cannot be used to  
 21 purchase it.

22  
23 School district personnel responsible for spending federal grant funds and for determining  
 24 allowability must be familiar with and refer to the Part 200 selected items of cost section. These  
 25 rules must be followed when charging these specific expenditures to a federal grant. When  
 26 applicable, employees must check costs against the selected items of cost requirements to ensure  
 27 the cost is allowable, and also check state, district and program-specific rules.

28  
29 The selected item of cost addressed in Part 200 includes the following (in alphabetical order):  
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Item of Cost	Citation of Allowability Rule
Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
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	2 CFR § 200.435

infringements	
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
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
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

## 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 school entity 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 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 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 Director of Student Services, who shall consult with the Director of Business Operations for clarification as appropriate.

### Legal Reference:

2 CFR Sec.200.404

2 CFR Sec.200.405

2 CFR Sec.200.420-200.475

### Policy History:

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