

Hertford County Public Schools

ALLOWABLE COST PROCEDURE

[§200.302\(b\)\(7\)](#) Hertford County Public Schools will maintain written procedures for determining allowability of costs. When determining how Hertford County Public Schools will spend grant funds, Administrators / Directors / Supervisors will review the proposed cost to determine whether it is an allowable use of federal grant funds before obligating and spending those funds on the proposed goods or services. All expenditures made with federal education funds must meet the standards outlined in EDGAR, 2 CFR Part 3474, and 2 CFR Part 200. The Administrators / Directors / Supervisors must consider the following factors when making an allowability determination:

- [§200.403\(a\)](#) - Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- [§200.403\(b\)](#) - Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- [§200.403\(c\)](#) - Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of Hertford County Public Schools.
- [§200.403\(d\)](#) - Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- [§200.403\(e\)](#) - Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- [§200.403\(f\)](#) - 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.
- [§200.403\(g\)](#) - Be adequately documented.

Necessary Costs: Necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. It means it is vital or required in order to meet the objectives of the grant or for the grant to be successful. Necessary does not mean “nice to have,” which means it is not necessary to accomplish the objectives of the program in that it is not vital or required for the success of the program.

A key aspect in determining whether a cost is necessary is whether Hertford County Public Schools can demonstrate that the cost addresses an existing need and can prove it. For example, Hertford County Public Schools may deem a language skills software program necessary for a limited English proficiency program.

When determining whether a cost is necessary, Hertford County Public Schools considers:

- Whether the cost is needed for the proper and efficient performance of the grant 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; and
- Whether the cost addresses program goals and objectives and is based on program data.

Reasonable Costs [§200.404](#) - 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.

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

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of Hertford County Public Schools or the proper and efficient performance of the Federal award.
- 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.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to Hertford County Public Schools, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- Whether Hertford County Public Schools significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

Allocable Costs [§200.405](#) - 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:

- Is incurred specifically for the Federal award;
- Benefits both the Federal award and other work of Hertford County Public Schools and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of Hertford County Public Schools and is assignable in part to the Federal award.