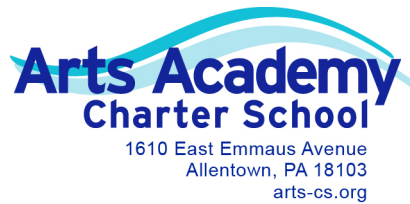


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Board Policy 10.1

PROGRAMS AND EXPENDITURES INVOLVING FEDERAL FUNDS

Allowability of Cost

Applicability

This Policy shall apply to all decisions related to the expenditure of federal grant funds, as required by federal law.

Requirements

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

When determining how the school will spend its grant funds, the Executive Director or his designate 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 good or service. All costs supported by federal education funds shall meet the standards outlined in EDGAR, 2 C.F.R. Part 3474 and 2 C.F.R. Part 200, Subpart E, which are provided in the bulleted list below.

Guidelines

The Executive Director must consider these factors when making an allowability determination.

- **Be Necessary and Reasonable for the performance of the federal award.** School staff shall consider these elements when determining the reasonableness of a cost. 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 to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

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

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

Adoption Date:	05/15/2017
Revision Date(s):	

- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the school, its employees, its students, the public at large, and the federal government.
- Whether the school significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost.

All expenditures shall be necessary to achieve an important program objective. The school shall be able to demonstrate and prove that the cost addresses an existing need.

When determining whether a cost is necessary, consideration may 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 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.
 - Whether the cost addresses program goals and objectives and is based on program data.
- **Allocable to the federal award.** The school shall be able to demonstrate that the federal grant program derived a benefit in proportion to the funds charged to the program. For example, if 50% of a teacher's salary is paid with grant funds, the school must be able to demonstrate that the teacher spent at least 50% of his or her time on the grant program.
 - **Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the school.**
 - **Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.**
 - **Consistent treatment.** A cost shall 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 assigned as an indirect cost under another award.
 - **Adequately documented.** All expenditures shall be properly documented.
 - **Be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.**
 - **Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.**
 - **Be the net of all applicable credits.** The term "applicable credits" refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the

Adoption Date:	05/15/2017
Revision Date(s):	

federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate.

Federal grant funds shall be expended consistent with federal guidelines.

Selected Items of Cost

The school personnel responsible for spending federal grant funds and for determining allowability must be familiar with federal rules regarding allowability of cost. The Executive Director or designee shall be responsible for developing Administrative Regulations, specifically setting forth state and federal rules regarding allowability of costs. When applicable, the school staff shall check costs against the selected items of cost requirements to ensure the cost is allowable pursuant to federal regulations, as set forth in the Administrative Regulations. The Executive Director shall ensure that all expenditures comply with such rules and regulations.