Procedure – Allowable Costs for Federal Programs

The purpose of this procedure is to ensure federal funds are spent only on allowable activities in accordance with CFR Part 200 Subpart E – Cost Principles, other special terms or conditions of the grant award, and/or other applicable state and federal guidelines. In determining allowable costs, the district will use the guiding principles as established in the Allowable Costs Policy 6106.

Two categories of costs may be charged to a Federal award. The first are direct costs, which are costs that directly benefit the activity and are easy to identify. The second are indirect costs, which are costs that either benefit the activity in an indirect manner or directly benefit the activity but the complexity of adequately identifying the costs as such outweighs the benefit of charging them directly.

Costs will meet the requirements of necessary and reasonable when they do not exceed those which would be incurred by a prudent person under the circumstances at the time the decision was made to incur the cost. District employees will use the following questions to determine reasonable and necessary costs:

- Does the district really need this item/service?
- Is the expense targeted to a valid programmatic/administrative need?
- Is this the minimum amount we need to spend to meet our needs?
- Do we have the capacity to use what we are purchasing?
- If we were asked to defend this purchase, would we be able to?
- Did we pay a fair rate?

The district will implement a reasonable method of allocating costs that equates to the relative benefit received by the program for the proportion of the costs charged to the program.

Period of Performance
Federal funds may be obligated on the later of the date funds become available or the submission date of the grant application, either in full form, or “Substantially Approvable Status (SAS)”, depending on the terms of the Federal award.

Federal funds may not be expended subsequent to the end date of the grant except to liquidate allowable obligations that were made on or before that date. All liquidations of prior obligations must be made within 90 days of the grant end-date, or an earlier date established by the granting agency.

The following table indicates the date that an expenditure is determined to be obligated:

IF THE OBLIGATION IS FOR	THE OBLIGATION WAS MADE
Acquisition of real or personal property	On the date on which the district makes a binding written commitment to acquire the property
Personal services by an employee of the district	When the services are performed
Personal services by a contractor who is not an employee of the district	On the date on which the district makes a binding written commitment to obtain the services
Performance of work other than personal services	On the date on which the district makes a binding written commitment to obtain the work
Public utility services	When the district receives the services
Travel	When the travel is taken
Rental of real or personal property	When the district uses the property

Direct Costs
Expenditures charged directly to a federal grant award will follow all district policies and procedures as well as federal requirements applicable to those costs, including, but not limited to; procurement requirements, property standards, travel policies, and cost criteria established by 2 CFR Part 200, Subsection E, as identified in the allowable cost policy. Additionally, all direct expenditures will be allowable under the terms of the grant award and program regulations. Requirements followed will be the more restrictive of the local, state, or federal regulations associated with a particular type of expenditure.

Staff responsible for reviewing expenditures for allowability will be familiar with the allowable costs of all programs reviewed. Staff responsible for budget and expenditure monitoring will be responsible for ensuring all charges are reviewed by appropriate staff for allowability.

Prior approvals of expenditures, as stated in 2 CFR, Part 200 and the grant award terms, will be obtained prior to the expenditure being obligated. Expenditures will be supported by adequate documentation including all pertinent details that assists in determining the item was allowable.

Indirect Costs
Federal grant awards will include an amount of indirect expenditures that districts are entitled to for organization wide costs of the grantee that benefit the federal program being administered by the district, unless specifically disallowed by the terms of the grant award.

Indirect rates are negotiated by the district's cognizant or oversight agency and can be applied to all Federal awards the district receives.

For grants awarded by the Office of Superintendent of Public Instruction (OSPI), indirect rates are calculated annually based on financial information obtained through the F-196. OSPI negotiates the indirect cost rate calculation methodology with the Department of Education every 5 years.

There are two types of federal indirect costs. A restricted rate is used for any federal program that has a "supplement, not supplant" requirement, which means the federal money is used to supplement the amount of money that a district has to spend on a particular program, and is not used "in place of" state/local funds. An unrestricted rate is used for programs that do not have a "supplement, not supplant" requirement.

The district is not required to claim any or all of the indirect amount they are entitled to, but may claim up to the full amount, as long as it is included in the district's approved budget. The indirect rate may be applied to all allowable direct expenditures that will be claimed under a particular grant award, less some exceptions (e.g., indirect costs will only be applied to the first $25,000 of an individual contract).

No expenditures will be charged through both a direct cost and an indirect cost.