

NORTH CENTRAL EDUCATIONAL SERVICE DISTRICT ADMINISTRATIVE PROCEDURE

No. 4470 P-1

ALLOWABLE COSTS FOR FEDERAL PROGRAMS PROCEDURES

These procedures are to ensure federal funds are spent on only allowable activities in accordance with 2 CFR Part 200 Subpart E – Cost Principles, other special terms or conditions of the grant award, and/or other pertinent state and federal guidelines. In determining allowable costs, NCESD will use the guiding principles as established in its Allowable Costs for Federal Programs Policy 4470.

There are two categories of costs that 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 in such a manner outweigh the benefit of charging them directly. Both are addressed in these procedures. The procedures also address the timing of transactions that can be disbursed against the current grant award.

To meet the requirements of necessary and reasonable, the cost will not exceed that which would be incurred by a prudent person under the circumstances at the time the decision was made to incur the cost. The following questions will be considered when determining reasonable and necessary:

- Do we really need this?
- Is the expense targeted to 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?

To meet the requirement of allocable, North Central Educational Service District (NCESD) will utilize 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 after 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.

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

Direct Costs

Expenditures charged directly to a federal grant award will follow all NCESD 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 NCESD 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 an expenditure.

NCESD will ensure that staff responsible for reviewing expenditures for allowability will receive the appropriate training to be familiar with the allowable costs of all programs reviewed.

NCESD will ensure that staff responsible for budget and expenditure monitoring will receive the appropriate training in their responsibilities to ensure all charges are reviewed 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.

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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 NCESD, unless specifically disallowed by the terms of the grant award.

Indirect rates are negotiated by NCESD's cognizant or oversight agency and can be applied to all federal awards NCESD 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 must spend on a designated program, and not "in place of" state/local funds. An "*unrestricted rate*" is used for programs that do not have a "supplement, not supplant" requirement.

NCESD is not required to claim any or all the indirect amount they are entitled to, but may claim up to the full amount, if included in NCESD's approved budget. The indirect rate may be applied to all allowable direct expenditures that will be claimed under a grant award, less some exceptions. For example, indirect costs will only be applied to the first \$25,000 of an individual contract.

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

Adopted: May 23, 2016

Revised: