

Procedure: Allowable Costs for Federal Programs

General

The purpose of this procedure is to ensure federal funds are spent on allowable activities in accordance with 2 CFR Part 200 Subpart E – Cost Principles, other special terms or conditions of the federal award, other applicable state and federal guidelines, and/or ESD 112 Board policies. In determining allowable costs, ESD 112 shall use the guiding principles as established in *Board Policy 6106 Allowable Costs for Federal Programs*.

Two categories of costs may be charged to a federal award: (1) direct costs, which are costs that directly benefit the activity and are easy to identify, and (2) 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 shall 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. ESD 112 employees shall follow purchasing policies and procedures as established by the Board and management, respectively, to determine reasonable and necessary costs and ensure compliance with federal and state guidelines and ESD 112 purchasing requirements.

ESD 112 management shall ensure that assigned staff implement a reasonable method of allocating costs that equates to the relative benefit received by the program for the proportion of costs charged to the program.

Direct Costs

Expenditures charged directly to a federal award shall follow all ESD 112 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 *Board Policy 6106*, previously referenced. Additionally, all direct expenditures shall be allowable under the terms of the federal award and program regulations. ESD 112 shall follow the more restrictive of local, state, or federal regulations associated with a particular type of expenditure.

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

Required prior approvals of expenditures, as stated in 2 CFR, Part 200 and the federal award terms, shall be obtained prior to the expenditure being obligated or have alternate funding sources available if the expenditure is determined to be non-allowable for the federal award. Expenditures shall be supported by adequate documentation including all pertinent details that assists in determining the item was allowable and consistent with the terms of the federal award.

Indirect Costs

Federal awards generally include an amount of indirect expenditures ESD 112 is entitled to for organization-wide costs that benefit the federal program administered by ESD 112, unless specifically disallowed by the terms of the federal award.

Indirect rates are stated as a percentage of direct costs and are negotiated by ESD 112's cognizant or oversight agency, the Office of the Superintendent of Public Instruction (OSPI), and are applied to all federal

awards ESD 112 receives. OSPI negotiates the indirect cost rate calculation methodology with the Department of Education.

There are two types of federal indirect cost rates. 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 ESD 112 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. Nonfederal awards are not subject to negotiated federal rates.

The indirect rate may be applied to all allowable direct expenditures that will be claimed under a particular federal award, with consideration to any applicable exclusions. Direct expenses excluded from an indirect rate application shall be coded consistent with ESD 112’s chart of accounts to appropriately identify the expenditure for exclusion.

In no case shall expenditures be charged through both a direct cost and an indirect cost.

Period of Performance

Federal funds may be obligated on the later of the date funds become available or the submission date of the award 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 award except to liquidate allowable obligations that were made on or before that date, unless specifically approved by the funder. All liquidations of prior obligations must be made within ninety (90) days of the award end-date, or a date otherwise established by the funding 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 ESD 112 makes a binding written commitment to acquire the property
Services by an employee of ESD112	When the services are performed
Personal services by a contractor who is not an employee of ESD 112	On the date on which ESD 112 makes a binding written commitment to obtain the services
Performance of work other than personal services	On the date on which ESD 112 makes a binding written commitment to obtain the work
Public utility services	When ESD 112 receives the services
Travel	When the travel is taken for lodging, mileage, per diems, etc. For travel costs which must be purchased in advance as a matter of standard practice & practical execution (airfare, conference registrations for example) the obligation is made when the registration / ticket is purchased. Note that should the “travel event” for such expenditures be cancelled, the expenditures would be refunded to the federal award.
Rental of real or personal property	When ESD 112 uses the property

Updated: 1/2021