

## **Business and Noninstructional Operations**

### **ALLOWABILITY OF FEDERAL EDUCATION GRANT PROGRAM COSTS**

- I. Overview. This document describes procedures related to determining allowability of federal education grant program costs. The district also maintains policies and procedures that are compliant with rules, policies and procedures issued by the California Department of Education.
- II. Implementation.
  - A. How to determine whether a cost is allowable.
    1. Expenditures must be aligned with approved budgeted items. Any changes or variations from the State approved budget and grant application require prior approval from the State.
    2. When determining how the district will spend its grant funds, the Financial Planning, Monitoring and Accountability (FPMA) Department will review the cost to determine whether it is an allowable use of federal grant funds.
    3. All district costs supported by federal funds must meet the general standards outlined in the Education Department General Administrative Regulations (EDGAR), 2 CFR Part 3474 and 2 CFR Part 200, Subpart E, which are provided in the bulleted list below. The FPMA Department must consider the factors outlined below when making an allowability determination. Additional helpful questions to ask when making allowability determinations are included in this regulation.
    4. Cost must be necessary for the administration or performance of the federal award, including subgranted funds from a pass-through entity and direct grant funds from a federal agency. While EDGAR does not provide specific descriptions of what satisfies the “necessary” element, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the district can demonstrate that the cost addresses an existing need, and can prove it. For example, the district may determine that a language skills software program is necessary for English Learners (EL).
    5. When determining whether a cost is necessary, staff should consider:
      - a. Whether the cost is needed for the proper and efficient performance of the grant program.

**ALLOWABILITY OF FEDERAL EDUCATION GRANT PROGRAM COSTS (continued)**

- b. Whether the cost is identified in the budget or application as approved by the federal or State agency to which it was submitted.
  - c. Whether there is an educational benefit associated with the cost.
  - d. Whether the cost aligns with identified needs based on results and findings from a needs assessment.
  - e. Whether the cost addresses program goals and objectives.
  - f. Whether the need for the cost is based on program data.
6. Reasonable for the performance of the federal award.
- a. District staff must consider the following elements when determining whether a cost is reasonable.
    - (1) 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 can mean that sound business practices were followed, and purchases were comparable to market prices.
    - (2) Whether the cost is a type generally recognized as ordinary and necessary for the operation of the district or the proper and efficient performance of the federal award.
    - (3) 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.
    - (4) Market prices for comparable goods or services for the geographic area.
    - (5) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the district, its employees, its students, the public at large, and the federal government.
    - (6) Whether the district significantly deviated from its established practices and policies when incurring the costs, which may unjustifiably increase the federal award's cost.

**ALLOWABILITY OF FEDERAL EDUCATION GRANT PROGRAM COSTS (continued)**

7. Allocable to the federal award. A cost is allocable to the federal award if the goods or services in question are:
  - a. Chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program.
  - b. For example, if 50 percent of a teacher's salary is paid with grant funds, then that teacher must spend at least 50 percent of his or her time on the grant program. This 50 percent must represent actual hours spent, as certified in an after-the-fact accounting, rather than a projection or estimate.
8. Legal under State and local laws and regulations.
9. Consistent with federal, State, and local policies and procedures that apply uniformly to both federally-financed and other activities of the district.
10. Conform to any limitations or exclusions set forth as cost principles in 2 CFR Part 200, or in the terms and conditions of the federal award.
11. Consistent treatment. A cost cannot 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.
12. Adequately documented. All expenditures must be properly documented.
13. Be determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in Part 200.
14. Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such. Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program. Generally, federal funds may not be counted toward a required match.
15. 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 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

**ALLOWABILITY OF FEDERAL EDUCATION GRANT PROGRAM COSTS (continued)**

relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. The district conforms with the California School Accounting Manual Procedure 560 which specifies rules regarding the abatement of expenditures.

16. The cost guidelines in 2 CFR Part 200 must be considered when federal grant funds are expended. As provided above, federal rules require State and district level requirements and policies regarding expenditures to be followed. For example, State and/or district policies relating to travel or equipment may be more restrictive than the federal rules, and the stricter State and/or district policies must be followed. For example, certain types of incentives are allowable under federal law, but are not allowable under State law.

B. Selected items of cost.

1. 2 CFR Part 200 examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 CFR §§ 200.420-200.475. These cost items are listed in the chart below along with the citation where it is noted whether the item is allowable.
2. District staff must not assume that an item is allowable because it is specifically listed in the regulations as it may be unallowable despite its inclusion in the selected items of cost section.
3. The expenditure may be unallowable for a number of reasons, including:
  - a. The express language of the regulation states the item is unallowable;
  - b. The terms and conditions of the grant deem the item unallowable; or
  - c. State/local restrictions dictate that the item is unallowable.
  - d. The item may also be unallowable because it does not meet one of the cost principles, such as being reasonable because it is considered too expensive.
  - e. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it. Note, however, that this is not a comprehensive list of costs that may be either allowable or prohibited.

**ALLOWABILITY OF FEDERAL EDUCATION GRANT PROGRAM COSTS (continued)**

- f. For costs not included in this list, an analysis of the factors described earlier should be performed.
4. District staff responsible for spending federal grant funds and for determining allowability must be familiar with 2 CFR Part 200's selected items of cost.
- a. District staff must follow these rules when charging these specific expenditures to a federal grant. When applicable, district staff must check costs against the selected items of cost to ensure the cost is allowable. In addition, State, district and program-specific rules may deem a cost as unallowable and district staff must follow those non-federal rules as well.
- b. The selected items of cost addressed in 2 CFR Part 200 include the following (in alphabetical order):

| <b>Item of Cost</b>   | <b>Citation of Allowability Rule</b> |
|---|--------------------------------------|
| Advertising and public relations costs  | 2 CFR § 200.421                      |
| Advisory councils   | 2 CFR § 200.422                      |
| Alcoholic beverages   | 2 CFR § 200.423                      |
| Alumni/ae activities  | 2 CFR § 200.424                      |
| Audit services  | 2 CFR § 200.425                      |
| Bad debts   | 2 CFR § 200.426                      |
| Bonding costs   | 2 CFR § 200.427                      |
| Collection of improper payments   | 2 CFR § 200.428                      |
| Commencement and convocation costs  | 2 CFR § 200.429                      |
| Compensation – personal services  | 2 CFR § 200.430                      |
| Compensation – fringe benefits  | 2 CFR § 200.431                      |
| Conferences   | 2 CFR § 200.432                      |
| Contingency provisions  | 2 CFR § 200.433                      |
| Contributions and donations   | 2 CFR § 200.434                      |
| Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements | 2 CFR § 200.435                      |
| Depreciation  | 2 CFR § 200.436                      |
| Employee health and welfare costs   | 2 CFR § 200.437                      |
| Entertainment costs   | 2 CFR § 200.438                      |
| Equipment and other capital expenditures  | 2 CFR § 200.439                      |
| Exchange rates  | 2 CFR § 200.440                      |
| Fines, penalties, damages and other settlements   | 2 CFR § 200.441                      |

**ALLOWABILITY OF FEDERAL EDUCATION GRANT PROGRAM COSTS (continued)**

| <b>Item of Cost</b>  | <b>Citation of Allowability Rule</b> |
|--|--------------------------------------|
| Fund raising and investment management costs                       | 2 CFR § 200.442                      |
| Gains and losses on disposition of depreciable assets              | 2 CFR § 200.443                      |
| General costs of government  | 2 CFR § 200.444                      |
| Goods and services for personal use                                | 2 CFR § 200.445                      |
| Idle facilities and idle capacity                                  | 2 CFR § 200.446                      |
| Insurance and indemnification                                      | 2 CFR § 200.447                      |
| Intellectual property  | 2 CFR § 200.448                      |
| Interest   | 2 CFR § 200.449                      |
| Lobbying   | 2 CFR § 200.450                      |
| Losses on other awards or contracts                                | 2 CFR § 200.451                      |
| Maintenance and repair costs                                       | 2 CFR § 200.452                      |
| Materials and supplies costs, including costs of computing devices | 2 CFR § 200.453                      |
| Memberships, subscriptions, and professional activity costs        | 2 CFR § 200.454                      |
| Organization costs   | 2 CFR § 200.455                      |
| Participant support costs  | 2 CFR § 200.456                      |
| Plant and security costs   | 2 CFR § 200.457                      |
| Pre-award costs  | 2 CFR § 200.458                      |
| Professional services costs  | 2 CFR § 200.459                      |
| Proposal costs   | 2 CFR § 200.460                      |
| Publication and printing costs                                     | 2 CFR § 200.461                      |
| Rearrangement and reconversion costs                               | 2 CFR § 200.462                      |
| Recruiting costs   | 2 CFR § 200.463                      |
| Relocation costs of employees                                      | 2 CFR § 200.464                      |
| Rental costs of real property and equipment                        | 2 CFR § 200.465                      |
| Scholarships and student aid costs                                 | 2 CFR § 200.466                      |
| Selling and marketing costs  | 2 CFR § 200.467                      |
| Specialized service facilities                                     | 2 CFR § 200.468                      |
| Student activity costs   | 2 CFR § 200.469                      |
| Taxes (including Value Added Tax)                                  | 2 CFR § 200.470                      |
| Termination costs  | 2 CFR § 200.471                      |
| Training and education costs                                       | 2 CFR § 200.472                      |
| Transportation costs   | 2 CFR § 200.473                      |
| Travel costs   | 2 CFR § 200.474                      |
| Trustees   | 2 CFR § 200.475                      |

**ALLOWABILITY OF FEDERAL EDUCATION GRANT PROGRAM COSTS (continued)**

5. The State and/or district may place additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, district staff must consult federal, State, and district requirements when spending federal funds. For example, if the State's travel rules are more restrictive than federal rules, then the State's policies must be followed. District Administrative Procedure 7155 specifies the rules regarding district business travel.
6. For a cost to be allowable, the expenditure must also be allowable under the applicable program statute (e.g., Title I of the Elementary and Secondary Education Act [ESEA], or the Carl D. Perkins Career and Technical Education Act [Perkins]), along with accompanying program regulations, non-regulatory guidance and grant award notifications.
7. Frequent types of costs.
  - a. Travel. Travel costs are the expenses for transportation, lodging, food, and related items incurred by employees who are in travel status on official district business. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the district's non-federally funded activities and in accordance with the district's written travel reimbursement policies. 2 C.F.R §200.474(a).
    - (1) Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the district in its regular operations as the result of its written travel policy. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that:
      - (a) Participation of the individual is necessary to the federal award; and
      - (b) The costs are reasonable and consistent with the district's established policy. 2 C.F.R §200.474(b).
  - b. Food if hosting conferences, meetings and workshops for district staff\*. Reasonable costs for meals and refreshments at conferences,

**ALLOWABILITY OF FEDERAL EDUCATION GRANT PROGRAM COSTS (continued)**

meetings and workshops may be allowed under 2 C.F.R. §200.432. However, the Department of Education generally prohibits food costs related to conferences, meetings and workshops being charged to education grant programs (e.g., Title I-A, Title II-A, IDEA, Perkins, etc.), unless extraordinary circumstances exist. Even then, only costs related to a working lunch where technical information is being disseminated may be allowed; breakfast, dinner or snacks are prohibited. These requirements pertain to conferences, meetings and workshops hosted by the district.

- (1) If the district wishes to use education grants for a working lunch at conferences, meetings and workshops, it must be able to demonstrate:
  - (a) The working lunch is necessary;
  - (b) The portion of the agenda carried out during the lunch is substantive and integral to the conference and meeting;
  - (c) There is a genuine time constraint that requires a working lunch;
  - (d) The cost of the lunch is reasonable; and
  - (e) The organization has documented the working lunch is both reasonable and necessary. (See ED Guidance on Food Costs available at <https://www2.ed.gov/policy/fund/guid/gposbul/faqs-grantee-conferences.doc>.)

\* Reasonable refreshments may be provided for parental involvement meetings.

- C. Helpful questions for determining whether a cost is allowable. This section provides additional helpful questions to be considered when determining whether a cost is allowable. In addition to the cost principles and standards described above, district staff can refer to this section as a useful framework when performing an allowability analysis.
  1. To determine whether federal funds may be used to purchase a specific cost, it is helpful to ask the following questions:
    - a. Is the proposed cost allowable under the relevant program (this includes statutory, regulatory, and administrative requirements as

**ALLOWABILITY OF FEDERAL EDUCATION GRANT PROGRAM COSTS (continued)**

well as guidance and other limitations imposed by federal, State, and local entities)?

- b. Is the proposed cost consistent with an approved program plan and budget?
- c. Is the proposed cost consistent with program specific fiscal rules? For example, the district may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources.
- d. Is the proposed cost consistent with EDGAR?
- e. Is the proposed cost consistent with special conditions imposed on the grant (if applicable)?

2. As a practical matter, the Executive Director of Finance or designee should also consider whether the proposed cost is consistent with the underlying needs of the program. For example, program funds must benefit the appropriate population of students for which they are allocated. For example, funds allocated under Title III of the Elementary and Secondary Education Act (ESEA) (which governs language instruction programs for English Learner (EL) students must only be spent on EL students and cannot be used to benefit non-EL students.

3. Also, funds should be targeted to address areas of weakness, as necessary. To make this determination, the Executive Director of Finance or designee should review data when making purchases to ensure that federal funds meet these areas of concern.

III. References. The following documents contain relevant requirements for spending federal grant funds. District staff should be familiar with these materials and consult them when making decisions related to the federal grant.

- A. 2 CFR § 3474.1 Adoption of 2 CFR part 200
- B. 2 CFR § 200.403 Factors Affecting Allowability of Costs
- C. Education Department General Administrative Regulations (EDGAR)  
<http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>

**ALLOWABILITY OF FEDERAL EDUCATION GRANT PROGRAM COSTS (continued)**

- D. Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Grant Guidance) (2 CFR Part 200)
- E. Electronic Code of Federal Regulations (e-CFR): <http://www.ecfr.gov/cgi-bin/text-idx?SID=573f71b4c10797b7d09e7bdea8853b13&node=pt2.1.200&rgn=div5>
- F. Federal Register Notice (December 26, 2013): <http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>
- G. U.S. Department of Education, Using Federal Grant Funds to Host a Meeting or Conference <https://www2.ed.gov/policy/fund/guid/gposbul/faqs-grantee-conferences.doc>
- H. State standards are specified in the following Education Code sections:
  - 1. Education Code § 32435
  - 2. Education Code § 44032
- I. District standards are specified the following Board Policies, Administrative Regulations and Administrative Procedures:
  - 1. Board Policy (BP) 3300, Expenditures and Purchases
  - 2. Administrative Procedure (AP) 0705, Lobbying
  - 3. Board Policy (BP) 3600, Consultants
  - 4. Administrative Procedure 2510, Employee Payment for Use of Personal Car
  - 5. Administrative Procedure 2518, Payment of Expenses for Special Activities
  - 6. Administrative Procedure 7155, Absence on District Business
  - 7. Administrative Circular No. 59
  - 8. District Major Categorical Spending Guidelines

Regulation  
approved: December 11, 2018

SAN DIEGO UNIFIED SCHOOL DISTRICT  
San Diego, California