

# Allowable Costs – Required Written Procedures

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## Authority

2 C.F.R. Part 200, §200.302(b)(7) *“Written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award.”*

2 C.F.R. Part 200, §200.403 To be allowable under Federal awards, except where otherwise authorized by statute, costs must be:

- Necessary and reasonable and allocable
- Conform to cost principles or Federal award as to types or amount of cost items
- Consistent with policies and procedures that apply uniformly to federal and non-federally funded activities
- Consistent treatment as direct or indirect cost
- In accordance with GAAP
- Not included as a cost to meet cost sharing or matching requirements of any other federally-financed program
- Adequately documented

## Subpart E -- Cost Principles

The application of these cost principles is based on the fundamental premises that the LEA has in place sound management practices; will follow the terms and conditions of the specific Federal award and will determine, based on its own unique combination of staff, facilities, and experience how to assure proper and efficient administration of the federal funds.

§200.420 addresses 55 “items of cost” that receive clarification regarding allowability, in general, for using federal funds. It is not an exhaustive or minutely detailed list but provides guidance on “Basic Considerations” to apply to all costs, listed or not listed.

## Written Procedures for Determining Allowable Costs

Written procedures such as required per 2 C.F.R. Part 200, §200.302(b)(7) are **not** a reiteration of the federal requirements or the policies or goals. Rather, procedures are the step by step process that is used to obtain the goal or the steps that are necessary to be in compliance with the federal requirement. Written procedures on Allowable Costs must address how the subrecipient is ensuring that costs on the federal grant, and ultimately claimed, are allowed under the individual Federal program *and* in accordance with the cost principles established in the Uniform Grant Guidance.

The following is a list of questions to consider when documenting procedures. This is not an all inclusive list but rather to be used in guidance when writing the step by step procedures. These questions represent the types of information DPI would look for if the subrecipient’s written procedures are selected for monitoring.

**Sample questions to ask when writing procedures determining the allowability of general expenditures made to a Federal grant:**

- Who, for each Federal program, creates the budget?
- Who enters the budget for the Federal program?
- Who verifies the budget aligns with the ledger?
  - How is this communicated between areas?
- Who verifies allowability of each cost under the Federal program and the Uniform Grant Guidance?
- For each Federal program, who is the informed contact for DPI questions?
- When cost changes occur within the program, who is notified? (changes to business or program needs)
- When cost changes are identified, what is the timeline for submitting budget amendments?
  - How is this communicated between areas?
- Who verifies allowability of each amended cost under the Federal program and the Uniform Grant Guidance?
- Who is responsible for generating supporting documentation demonstrating a cost is reasonable, necessary or allocable if it impacts a cost's allowability?
  - Where is this documentation kept?
- Where is correspondence regarding budget reviews by DPI kept for each of the Federal grants?
  - How is this communicated between areas?

**Sample questions to ask when writing procedures determining the allowability of personnel salary charges made to a Federal grant:**

- Who identifies each staff person with a status of single cost objective or multiple cost objective?
- How is this status determined?
  - How often is this information reviewed and updated?
  - Where is this information stored?
  - How is this communicated between areas?

*Regarding staff with multiple cost objectives:*

- How is the amount of staff person's time budgeted on the grant determined?
- What documentation or process is used to support the amount budgeted?
  - How often is this information reviewed and updated?
  - Where is this information stored?
- Who verifies charged amounts against supporting documentation prior to a claim being made?
  - How is this communicated between areas?

*For short-term work such as substitute staffing, extended school year, stipends, etc.:*

- Who verifies the short-term work is an allowable cost under the Federal program?
- Who verifies the short-term work is completed by licensed individuals (if required)?
- Who verifies the work was completed prior to submitting a claim?
  - Does the time sheet identify the Federal funding source or cost objective?
  - How is this communicated between areas?