

Section: Fiscal Management

Title: Federal Programs and Projects  
*(Managing Federal Funds Allowable Expenses)*

Number: DJFA-AP1 - Critical

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The purpose of this procedure is to ensure that federal funds received by the district are used in a manner consistent with underlying agreements, program objectives, the terms and conditions of federal awards, and federal law. The superintendent may delegate the responsibility for implementation of all or parts of this procedure to other appropriately trained employees. The superintendent or designee will utilize available resources from the Missouri Department of Elementary and Secondary Education (DESE) and the U.S. Department of Education to determine allowable costs and appropriate cost allocations.

### **Grant Development and Budget Process**

During the development of any federal grant proposal and the accompanying budget, the superintendent or designee will include only those costs considered allowable as defined below. The superintendent or designee will determine the indirect cost rate and, to the extent possible, identify each item in the proposed budget as either direct or indirect, in accordance with law.

### **Allowable Costs**

In order to be allowable, costs must be necessary and reasonable for successful implementation of the federal award. In addition, all costs must:

1. Be allocable to the federal award pursuant to the cost principles established by law;
2. Conform to any limitations or exclusions in law and specific to the award as to the type or amount of cost items;
3. Be consistent with state and district policies and procedures that apply uniformly to both federally financed and other district activities;
4. Be applied consistently (a cost that is applied as an indirect cost cannot be applied later as a direct cost for the same purpose under like circumstances);
5. Be determined in accordance with generally accepted accounting principles to the extent that those principles are applicable to school districts in Missouri;

6. Not be included as a cost or to meet the cost-sharing or matching requirements of any other federally financed program in either the current or a prior period; and
7. Be adequately documented.

Costs that are not allowable include, but are not limited to, alcoholic beverages, entertainment, goods or services for personal use, and payment of interest on the use of district funds.

### **Reasonable Costs**

A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost, in both nature and amount. When determining whether a cost is reasonable, the superintendent or designee will consider the following:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the district or the proper and efficient performance of the federal award;
2. The restraints and requirements of sound business practices, arm's-length bargaining, applicable laws and regulations, and the terms and conditions of the federal award;
3. Market prices for comparable goods or services for the geographic area;
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the district, its employees, the students and the public at large; and
5. Whether the district significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the cost of the federal award.

### **Allocable to the Federal Award**

A cost is allocable to the particular federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefits received. This standard is met if the cost:

1. Is incurred specifically for the federal award;
2. Benefits both the federal award and other district work and can be distributed in proportions that may be approximated using reasonable methods; and
3. Is necessary to the overall operation of the district and is assignable in part to the federal award in accordance with federal law.

If the federal award benefits from indirect costs of the district, the district will receive an appropriate allocation for those indirect costs in accordance with law.

### ***Multiple Federal Awards***

Any cost allocable to a particular federal award may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions in federal law or the terms and conditions of the award, or for other reasons. However, the district may shift costs that are allowable under two or more federal awards in accordance with law and the terms and conditions of the federal awards.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the project based on the proportional benefit. If the work is so interrelated that the proportional benefit cannot be determined, the cost may be allocated on any responsible documented basis. If the contract is subject to the Cost Accounting Standards, those standards will apply when allocating costs.

### **Direct and Indirect Costs**

Federal funds may be used to pay direct costs, but may only be used to pay indirect costs to the extent that the indirect costs are within the established indirect cost rate and can be allocated to the federal award. The degree to which the cost is specifically identified with the federal award is the determining factor in distinguishing direct and indirect costs.

Costs incurred for the same purpose in like circumstances will be treated consistently as either direct or indirect. Salaries claimed as a direct cost may not also be claimed as an indirect cost.

### ***Direct Costs***

To determine whether a cost is direct, the superintendent or designee will consider the following factors:

1. Whether the cost can be identified with a specific federal award or other internally or externally funded activity;
2. Whether the cost can be directly assigned to such awards or activities relatively easily with a high degree of accuracy;
3. Whether the purchase was specifically authorized by the federal award in circumstances where the cost is for the purchase of equipment or other capital assets that may be used by the district for purposes not related to the federal award after the project or activity funded by the federal award has ended; and

4. When the cost is for the salaries of administrative or clerical staff, whether the:
  - Services of the administrative and clerical staff are integral to the project activity;
  - Services of the administrative and clerical staff can be specifically identified with the project or activity;
  - Costs were explicitly included in the budget; and
  - District received prior written permission from the federal awarding agency to include the costs.

Examples of direct costs are the compensation and fringe benefits of employees who work on the federal award or the costs of materials and supplies incurred for the federal award.

### ***Indirect Costs***

Indirect costs are those that do not meet the definition of a direct cost because they have been incurred for common or joint purposes and cannot be identified with a particular final cost objective without an effort that is disproportionate to the results achieved. Common indirect costs include general administrative costs, the cost of operating facilities, and depreciation on buildings and equipment. Federal funds may be used to pay for some indirect costs through an indirect cost allocation plan. The rate used to calculate the indirect costs depends on the type of grant.

### **Expenditures**

All federal funds must be spent in accordance with the approved plan, budget and expenditure report. Invoicing and approval of expenditures of federal money are governed by the district's policy and procedure for purchasing, including the requirement that all requests for payment be accompanied by documentation supporting the request.

Purchases using federal funds will not be approved without written confirmation from the superintendent or designee that the intended purchases are allowable.

### **Allowability of Compensation and Leave**

Employee compensation will be paid using a federal award only if the compensation is reasonable for the services rendered and meets all other federal requirements for allowability. All employees who are paid with federal funds will be hired, compensated and provided leave in accordance with the policies and procedures applicable to employees who are paid through nonfederal funds. If the services provided by the employee being compensated through a federal award are not comparable to any other position in the district, then that compensation, including

benefits and leave, shall be in accordance with local market standards for the type of service performed.

The superintendent or designee will maintain accurate records of all compensation, including benefits, provided to employees who are paid with federal funds. If an employee is paid partially through a federal award, the records will specify the amounts paid through the federal award and those paid from other sources.

**Certification**

All proposals, reports or requests for payment pertaining to any project or activity financed by federal funds shall be accompanied by a certification signed and dated by the superintendent or designee, in accordance with law.

**Park Hill School District, Platte County, MO**