

## **FINANCIAL OPERATION**

**Policy 3166**  
**(Regulation 3166)**

### **Financial Management**

#### **Federal Awards – Allowable Costs**

The District assumes responsibility for ensuring that Federal funds have been expended and are accounted for consistent with Federal program regulations and approved applications. Costs are generally categorized as either direct or indirect. All coding of direct and indirect costs will generally follow the Missouri School Finance Accounting Manual.

#### **Direct Costs**

Direct costs include salaries, fringe benefits, purchased services, supplies and equipment. Direct charging of administrative or clerical staff costs will be appropriate only if all of the following conditions are met:

1. Such costs are integral to a project or activity.
2. Individuals involved can be specifically identified with the project or activity.
3. Such costs are explicitly included in the budget or have the prior written approval of the Federal Award Agency.
4. The costs are not recovered as an indirect cost.
5. These conditions may be met using a job description along with time and effort documentation.

#### **Indirect Costs**

Indirect costs are those which are not readily identified with the activities funded by the Federal grant or contract, but are nevertheless incurred for the joint benefit of these activities and other activities and programs of the District. Accounting, auditing, personnel, budgeting, purchasing and operation/maintenance of plant are examples of services which typically benefit several activities and programs for which appropriate costs may be attributed to the Federal program by means of an indirect cost allocation plan. The indirect rate cost used in calculating the indirect cost depends on whether the grant is a restricted or unrestricted.

#### **Documentation of Personnel Costs**

Charges for salaries and wages will be based upon records that reflect the work performed. Records are required for all employees, including teachers, paraprofessionals, administrators and other staff paid with Federal funds. These records will document the time and effort such individuals spend within the program. The portion of the federally paid salary will be reflective of the actual activity, not budgeted, the individuals has contributed for the specific Federal program. Time and effort reporting is required when any part of an individual's salary is charged to a Federal program or used as a match for a Federal program.

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**Regulation 3166**

**Financial Management**

**Federal Awards – Allowable Costs**

**Allowable, Reasonable, Allocable Cost Principles**

**Allowable**

To be allowable under a Federal award, costs will meet the following criteria:

1. Be necessary and reasonable for the performance of the Federal Award and be allocable to the Award.
2. Conform to limitations or exclusions in these principles or in the Federal award as to types or amounts of cost items.
3. Be consistent with policies and procedures that apply uniformly to both federally–financed and other District activities that are non-Federal.
4. Be given consistent treatment. A cost may not be assigned as a direct cost if any other cost for a like purpose is assigned as an indirect cost.
5. Be in accordance with generally accepted accounting principles.
6. Not be included as a cost or used to meet cost sharing or matching request of any other federally financed project in either the current or a prior project.
7. Be adequately documented.
8. Be net of all applicable credits.

**Reasonable**

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a reasonable person under the prevailing circumstances. In determining reasonableness of a specific cost, consideration must be given to:

1. Whether the cost is generally recognized as ordinary and necessary for the operations of the District, or the proper and efficient performance of the Federal award.
2. The restraints or requirements imposed by sound business practice, and terms of the Federal grant.
3. Market prices for comparable goods or services for the District’s geographic area.
4. Whether District individuals involved in the Federal grant acted with prudence.
5. Whether the District has significantly deviated from its established practices and policies regarding the incurrence of costs.

### **Allocable**

A cost is allocable to a particular Federal award if the goods or services involved are chargeable or assignable to the Federal award in accordance with the 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 work of the District and can be allocated on proportions using reasonable methods.
3. Is necessary to the overall operation of the District and is assignable in part to the Federal award.

### **Allowability Procedures**

At the time of budgeting for a Federal award, all costs, direct and indirect, will be reviewed by the District's Federal Grant administrator to assure compliance with Federal allowability principles.

1. All purchase orders/invoices will be screened by the District's finance officer to ensure consistency of the budgeted items with Federal allowability principles.
2. An annual risk assessment will be conducted consistent with 2 CFR Part 200.331(b).
3. The District's outside auditor will review compliance with Federal allowability standards as part of the annual audit.

### **Documentation of Personnel Costs**

Semi-Annual Certification – Where employees are expected to work solely on a single Federal award or cost objection, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the certification period.

### **Monthly Personnel Reports**

Where District employees work on multiple activities or cost objectives, a distribution of their salary and wages will be supported by personnel activity reports. Similar procedure will be used for District employees working on cost sharing or matching activities.

If the District elects to work under a substitute system for time and effort, the District will seek approval by DESE.

### **Stipends and Extra Duty Pay**

Where the District pays for extra work beyond an employee's regular contract, the District will have developed written documentation that demonstrates the extra work to be performed; the dates of performance; and the amount or rate to be paid to such employee. A contract will also be signed by the District and the employee to show acceptance of the terms. In addition, the employee must complete time and effort documentation that supports the extra work beyond the employee's regular contract. This documentation may be a semi-annual time certification or monthly personnel activity report.

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