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6114 - **COST PRINCIPLES - SPENDING FEDERAL FUNDS**

The Superintendent is responsible for the efficient and effective administration of grant funds through the application of sound management practices. Such funds shall be administered in a manner consistent with all applicable Federal, State and local laws, the associated agreements/assurances, program objectives, and the specific terms and conditions of the grant award.

Cost Principles

Except where otherwise authorized by statute, costs shall meet the following general criteria in order to be allowable under Federal awards:

A. Be necessary and reasonable for proper and efficient performance and administration of the Federal award and be allocable thereto under these principles.

   To determine whether a cost is reasonable, consideration shall be given to:

   1. whether a cost is a type generally recognized as ordinary and necessary for the operation of the Educational Service Center or the proper and efficient performance of the Federal award;
   2. the restraints or requirements imposed by such factors as sound business practices, arm's length bargaining, Federal, State, local, tribal, and other laws and regulations;
   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; and
   5. whether the cost represents any significant deviation from the established practices or Governing Board policy which may unjustifiably increase the expense.

   While Federal regulations do not provide specific descriptions of what satisfies the "necessary" element beyond its inclusion in the reasonableness analysis above, whether a cost is 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 Center can demonstrate that the cost addresses an existing need, and can prove it.

   When determining whether a cost is necessary, consideration may be given to whether:

   1. the cost is needed for the proper and efficient performance of the grant program;
   2. the cost is identified in the approved budget or application;
   3. there is an educational benefit associated with the cost;

4. the cost aligns with identified needs based on results and findings from a needs assessment;

5. the cost addresses program goals and objectives and is based on program data.

A cost is allocable to the Federal award if the goods or services involved are chargeable or assignable to the Federal award in accordance with the relative benefit received. This standard is met if the cost: is incurred specifically for the Federal award; benefits both the Federal award and other work of the Center and can be distributed in proportions that may be approximated using reasonable methods; and is necessary to the overall operation of the Center and is assignable to the Federal award in accordance with cost principles mentioned here.

B. Conform to any limitations or exclusions set forth in the~~as~~ cost principles in Part 200 or in the terms and conditions of the Federal award.

C. Be consistent with policies and procedures that apply uniformly to both Federally-financed and other activities of the Center.

D. Be accorded~~afforded~~ 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 allocated to a Federal award~~assigned~~ as an indirect cost under another award.

E. Be determined in accordance with generally accepted accounting principles.

F. Be representative of actual cost, net of all applicable credits, or offsets.

The term "applicable credits" refers to those receipts or reductions 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 relate to the Federal award, they shall be credited to the Federal award, either as a cost reduction or a cash refund, as appropriate.

G. Be not included as a match or cost-share, unless the specific Federal program authorizes Federal costs to be treated as such.

H. Be adequately documented:

1. in the case of personal services, the Superintendent shall implement a system for Center personnel to account for time and efforts expended on grant-funded programs to assure that only permissible personnel expenses are allocated;

2. in the case of other costs, all receipts and other invoice materials shall be retained, along with any documentation identifying the need and purpose for such expenditure if not otherwise clear.

I. Be incurred during the approved budget period.

The budget period means the time interval from the start date of a funded portion of an award to the end date of that funded portion during which recipients are authorized to carry out authorized work and expend the funds awarded, including any funds carried forward or other revisions pursuant to the law. Prior written approval from the Federal awarding agency or State pass through entity may be required to carry forward unobligated balances to subsequent budget periods, unless waived.

Selected Items of Cost

The Center shall follow the rules for selected items of cost at 2 C.F.R. Part 200, Subpart E when charging these specific expenditures to a Federal grant. When applicable, Center staff shall check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, State, Center, and program-specific rules, including the terms and conditions of the award, may deem a cost as unallowable and Center personnel shall follow those rules as well.

Cost Compliance

The Superintendent shall require that grant program funds are expended and are accounted for consistent with the requirements of the specific program and as identified in the grant application. Compliance monitoring includes accounting for direct or indirect costs and reporting them as permitted or required by each grant. Costs incurred for the same purpose in like circumstances shall be treated consistently as either direct or indirect costs, but may not be double charged or inconsistently charged as both.

Determining Whether a Cost is Direct or Indirect:

A. Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

These costs may include: salaries and fringe benefits of employees working directly on a grant-funded project; purchased services contracted for performance under the grant; travel of employees working directly on a grant-funded project; materials, supplies, and equipment purchased for use on a specific grant; program evaluation costs or other institutional service operations; and infrastructure costs directly attributable to the program (such as long-distance telephone calls specific to the program, etc.).

B. Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one (1) cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. Costs incurred for the same purpose in like circumstances shall be treated consistently as either direct or indirect costs.

These costs may include: general data processing, human resources, utility costs, maintenance, accounting, etc.

Federal education programs with supplement not supplant provisions must use a restricted indirect cost rate. In a restricted rate, indirect costs are limited to general management costs. General management costs do not include divisional administration that is limited to one (1) component of the Center, the governing body of the Center, compensation of the Superintendent, compensation of the chief executive officer of any component of the Center, and operation of the immediate offices of these officers.

The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

1. Administrative or clerical services 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 awarding agency.
4. The costs are not also recovered as indirect costs.

Where a Federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap shall include all direct administrative charges as well as any recovered indirect charges.

Effort should be given to identify costs as direct costs whenever practical, but allocation of indirect costs may be used where not prohibited and where indirect cost allocation is approved ahead of time by the Ohio Department of Education ("ODE") or the pass-through entity (Federal funds subject to 2 C.F.R. Part 200 pertaining to determining indirect cost allocation).

Timely Obligation of Funds

Financial obligations~~Obligations~~ are orders placed for property and services, contracts and subawards made, and similar transactions ~~during a given period~~ that require payment. This term is used when referencing a recipient's or subrecipient's use of funds under a Federal award.~~by the non-Federal entity during the same or a future period.~~

The following table illustrates when funds are determined to be obligated under the U.S. Department of Education regulations:

If the obligation is for:

A. Acquisition of property - on the date which the Center makes a binding written commitment to acquire the property.

B. Personal services by an employee of the Center - when the services are performed.

C. Personal services by a contractor who is not an employee of the Center - on the date which the Center makes a binding written commitment to obtain the services.

D. Performance of work other than personal services - on the date when the Center makes a binding written commitment to obtain the work.

E. Public utility services - when the Center receives the services.

F. Travel - when the travel is taken.

G. Rental of property - when the Center uses the property.

H. A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 C.F.R. Part 200, Subpart E - Cost Principles - on the first day of the project period.

Period of Performance

All financial obligations must occur during~~on or between the beginning and ending dates of the grant project. This period of time is known as~~ the period of performance. Period of performance means the total estimated time interval between the start of an initial Federal award when the Center is permitted to carry out the work authorized by the grant and the planned end date. The period of performance may include one or more funded portions or budget periods. The period of performance is dictated by statute and will be indicated in the Grant Award Notification ("GAN"). As a general rule, State-administered Federal funds are available for obligation within the year that Congress appropriates the funds for. However, given the unique nature of educational institutions, for many Federal education grants, the period of performance is twenty-seven (27) months. This maximum period includes a fifteen (15) month period of initial availability, plus a twelve (12) month period for carryover. For direct grants, the period of performance is generally identified in the GAN.

In the case of a State-administered grant, financial obligations under a grant may not be made until the application is approved or is in substantially approvable form,~~grant funding period begins or all necessary materials are submitted to the granting agency,~~ whichever is later. In the case of a direct grant, a grantee may use grant funds only for obligations it makes during the grant period,~~obligations may begin when the grant is,~~ unless an agreement exists with the awarding agency or the pass-through entity (e.g., ODE)~~ODE or the pass-through entity~~ to reimburse for pre-approval expenses.

If a Federal awarding agency or pass-through entity approves an extension, or if the Center extends under C.F.R. 200.308(e)(2), the Period of Performance will be amended to end at the completion of the extension. If a termination occurs, the Period of Performance will be amended to end upon the effective date of termination. If a renewal is issued, a distinct Period of Performance will begin.

For both State-administered and direct grants, regardless of the period of availability, the Center shall liquidate all financial obligations incurred under the award not later than ninety (90) days after the end of the funding period unless an extension is authorized. Any funds not obligated within the period of performance or liquidated within the appropriate timeframe are said to lapse and shall be returned to the awarding agency. Consequently, the Center shall closely monitor grant spending throughout the grant cycle.

2 C.F.R. 200.344(b), 200.403-.~~406~~407, 200.413(a)-(c), 200.430(a), 200.431(a), 200.458
34 C.F.R. 76.707-.708(a), 75.703
~~C.F.R. 200.47(b)~~

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Legal	2 C.F.R. 200.344(b), 200.403-.407, 200.413(a)-(c), 200.430(a), 200.431(a), 200.458 34 C.F.R. 76.707-.708(a), 75.703