



Cost Allowability

Adult Education Family Literacy Act (AEFLA)

The Education Department of General Administrative Regulations (EDGAR) addresses 55 items of allowability when using federal grant award funds. Expenditures are charges made by a non-federal entity to a project or program for which a federal award was received. All grant recipients must have financial management systems that include written procedures for ensuring all expenditures conform to the terms and conditions of the grant as well as the Uniform Guidance Cost Principles. According to EDGAR, all grant cost must meet the following criteria:

- Be necessary and reasonable
- Be consistent with policies and procedures
- Be treated consistently
- Be aligned with the General Accepted Accounting Principles (GAAP) accounting principles
- Be adequately documented
- Not included for match or cost sharing
- Conform with federal law and grant terms

Per EDGAR, two factors that affect allowability are necessary and reasonable principles. When programs purchase items, the provider must evaluate if the cost is necessary and meets a program objective. Reasonable cost must meet the following criteria:

- The cost must be ordinary and necessary for the operation of the organization
- Provide evidence of efficient performance of the federal grant award
- Follow sound business practices
- Display fair market prices for comparable goods or services
- Demonstrate discretion concerning state and local laws for federal grant awards
- Act with discretion under the circumstances

EDGAR CFR 200.302

Direct costs are identifiable and assignable to a specific project or activity and that support the project's purpose and activity. Direct charges that are usually charged to a federal grant award include:

- Salary, wages, fringe benefits

- Consultant fees
- Subcontracts
- Materials and equipment for project work
- Supplies

Cost must be consistent with policies and procedures that apply uniformly to both federally-funded and other activities that are non-federally funded. For example, the same per diem rate must be applied for Basic Skills Coordinators paid out of state and federally funded sources. Per diem rates cannot be charged at a higher rate because there are federal funds available.

In accordance with EDGAR, a cost may not 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 the Federal award as an indirect cost. For example, a provider may not charge clerical personnel salaries to the indirect line item in some circumstances, and direct the direct line item in other circumstances.

Per EDGAR, in some instances some cost charged to the Federal grant award may be disallowed. Disallowed costs mean those charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the federal statutes, regulations, or the terms and conditions of the Federal award.

For charges that have been identified as limited, please consult with your institution's Chief Financial Officer(CFO) prior to charging the federal grant award. In some instances, charges to the federal award must be pre-approved by the funding agency. Those items that must be pre-approved by the funding agency have been denoted by an asterisk.

EDGAR CFR 200.403

EDGAR CFR 200.404

Allowable Cost

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| Audit Services |
| Bonding Cost |
| Costs to recover improper payments |
| Compensation-Personal Services |
| Compensation-Fringe Benefits |
| Depreciation |
| Employee health/welfare |
| Equipment |
| Exchange rates |
| Gains on disposition assets |
| Insurance/indemnification |
| Intellectual property |
| Maintenance/Repair |
| Materials/Supplies/Computers |
| Professional Service Costs |
| Publication Printing |
| Recruiting Cost |
| *Relocation cost of employees |
| Rental Cost of Property/Equipment |
| Specialized Service Facilities |
| Training and Education Costs |
| Transportation Costs |
| Travel Costs |
| Travel of Trustees |

Unallowable Cost

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| Advisory Councils |
| Alcohol |
| Alumnae Activities |
| Bad Debts |
| Commencement Costs |
| Contingency Provisions |
| Contributions |
| Entertainment |
| Fines/Penalties |
| Fundraising |
| General costs of government |
| Goods or services for personal use |
| High School Equivalency Examiner (not an allowable activity under WIOA Section 203(2)) |
| Interest |
| Lobbying |
| Losses of Contracts |
| Organization Costs |
| Selling and Marketing Costs |
| Student Activity Costs |

Limited-Very Limited Cost

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| *Advertising |
| *Conferences |
| *Defense of Claims/Audits |
| *Idle Facilities |
| *Membership/Subscription |
| *Plant and Security Cost |
| *Participant Support Cost |
| *Pre-award Costs |
| *Proposal Costs |
| *Rearrangement/Reconversion |
| *Taxes |
| *Termination Costs |

EDGAR CFR 200.407

EDGAR CFR 200.408

References

Brustein & Manasevit. (2015). The Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. In *The administrator's handbook on EDGAR* (3rd ed., pp. 130-162). Washington, DC: Brustein & Manasevit, PLLC.