

## **Allowable Costs for Federal Programs**

Expenditures under Federal programs are governed by Federal cost principles contained in 2 CFR Part 200 Subpart E – Cost Principles. ESD is committed to ensuring that costs claimed under Federal awards follow these cost principles as well as any special terms and conditions contained in the award. Additionally, as a grantee, ESD is required to follow the more restrictive of federal, state, or ESD Board policies.

When applying Federal cost principles, ESD shall:

- Maintain responsibility for the efficient and effective administration of the Federal award through the application of sound management practices;
- Assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives and the terms and conditions of the Federal award; and
- Apply accounting practices that are consistent with cost principles, support the accumulation of costs as required by the principles, and provide for adequate documentation to support costs charged to the Federal award, including for negotiation and approval of cost allocation plans and/or indirect cost proposals.

ESD shall maintain a system of internal controls over Federal expenditures to provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the Federal cost principles. Except where otherwise authorized by statute, costs shall meet the following general criteria:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under cost principles;
- Conform to any limitations or exclusions set forth in cost principles or in the Federal award provisions as to types or amount of cost items;
- Be consistent with policies, procedures and practices that apply uniformly to both Federally funded and other activities of ESD;
- Be accorded consistent treatment. A cost may 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;
- Be determined in accordance with generally accepted accounting principles;
- Not be included as a cost or used to meet cost sharing or matching requirements of any other Federally-funded program in either the current or a prior period without prior written approval;
- Be adequately documented; and
- Be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to § 200.308(e)(3).

In extraordinary circumstances, such as those caused by emergencies, ESD may continue to pay the compensation of employees who are paid with Federal grant funds using Federal funds, despite the employees' inability to work due to the extraordinary circumstances, consistent with ESD's use of all funding sources to pay its employees.

*Legal References:* *2 CFR Part 200, Subpart E.*

Adoption Date: **3-29-16**

Revised Dates: **2-23-21; 9-23-24**