

21st Century Community Learning Centers

Allowable Costs

6/18/2009



Allowable Costs Overview

- Reasonable and necessary
- Allocable
- Legal under state and local law
- Conform with federal law and grant terms

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Allowable Costs

- Consistently treated
- In accordance with Generally Accepted Accounting Principals, (GAAP)
- Not included as match

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**Allowable Costs:
Regulations and Guidance**

- **General Education Provisions Act (GEPA)**
- **21st Century Program statute and regulations**
- **EDGAR (Education Department) General Administrative Regulations) Sub Part C, §80.22 Allowable Costs**

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**Allowable Costs:
Regulations and Guidance**

- **OMB Circular A 87 State, Local, and Indian Tribal Governments**
 - **Section C – Basic Guidelines**
 - **Attachment B – Selected Items of Cost**
- **OMB Circular A 122 Cost Principles for Private Non-Profit Organizations**
 - **Attachment B – Selected Items of Cost**

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Allowable Costs

- **Helpful Questions for Analyzing Costs:**
 - **Is the proposed cost allowable under the 21st Century program?**
 - **Is the proposed cost consistent with the approved grant program plan and budget?**

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Allowable Costs

- Is the proposed cost consistent with 21st Century specific fiscal rules?
- Is the proposed cost consistent with EDGAR?

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Allowable Costs: Basis for Allowability

- Must follow applicable cost principle to determine reasonableness, allowability, and allocability of all costs
- All costs must be:
 - Necessary
 - Reasonable
 - Allocable
 - Legal under state and local law

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Allowable Costs: Necessary

- A cost is necessary and reasonable if:
 - Needed for the performance or administration your grant
 - Follows sound business practices; arms length bargaining
 - Reflects fair market prices for comparable goods or services
 - Is prudent

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Allowable Costs: Necessary

- Practical aspects of 'necessary':
 - Do I really need this to administer my program?
 - Is this the minimum amount I need to spend to meet my need?

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Allowable Costs: Reasonable

- Practical aspects of 'reasonable':
 - Is this targeted to valid programmatic/administrative considerations?
 - Do I have capacity to use what I am purchasing for this program?

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Allowable Costs: Reasonable

- Did I pay a fair rate and can I prove it?
- If this expense were in the local newspaper 'HEADLINES,' would I be comfortable?

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Allowable Costs: Allocable

- Practical aspects of 'reasonable':
 - Can I prove the program benefited?
 - Time/effort records
 - Inventory management records
 - Can I prove other programs are not benefiting?
 - Ensuring only authorized use
 - Incidental benefit

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Allowable Costs: Adequate

- Adequately documented:
 - Amount of funds under grant
 - How the funds are used
 - Total cost of the project
 - Share of costs provided by other sources

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Allowable Costs: Adequate

- Records that show compliance
- Records that show performance
- Other records to facilitate an effective audit

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Allowable Costs: Compensation for Service

➤ **Overview of process:**

- Estimate how employee will work
- Pay based on estimate
- Reconcile estimates to how actually worked

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Allowable Costs: Compensation for Service

➤ **Necessary documentation:**

- **Payroll records**
- **Time and effort records;**
 - Semi-annual certifications (single cost objective)
 - Personnel Activity Reports (PARs) (multiple cost objectives)

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Allowable Costs: Things to Consider

- **Maintenance of Effort**
- **Supplement vs. Supplant**
- **In-Kind Requirements**
- **LEA Match (soft and hard match)**
- **Timely Amendments**
- **Document, Document, Document**

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Allowable Costs: FAQs

- Is there a list of allowable costs that we can look at to analyze a contemplated cost?

No. Although lists are available, they are lists of 'allowable, but,' they must meet the other tests spoken to earlier.

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Allowable Costs: Other Resources

- MDE

- Office of Audits (A133 Compliance Supplement Auditing Manual)

- http://www.michigan.gov/mde/0,1607,7-140-6530_9091---,00.html

- MDE – Office of Early Childhood Education and Family Services – 21st Century Community Learning Centers Program

- <http://www.michigan.gov/21stcclc>

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Allowable Costs: Other Resources

- OMB Circular A-133, Compliance Supplement
- OMB Circular A-21, Cost Principles for Educational Institutions, Parts C and J
- OMB Circular A-87, C: Basic Guidelines
- OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment B, Selected Items of Cost

- <http://www.whitehouse.gov/omb/circulars>

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Allowable Costs: Other Resources

- **EDGAR, Education Department General Administrative Rules**
- <http://www.ed.gov/policy/fund/req/edgarReg/edgar.html>

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Allowable Costs: More Information

- **Contacts**
 - **Your 21st Century Consultant**
@ (517) 373-8483 or
 - **Gary Schafer, Business Manager**
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 - On the web @ <http://www.michigan.gov/21stcclc>

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