

# Huntingdon Special School District Selecting Items to Be Included in Federal Grant Budgets Effective June 2015

In accordance with Code of Federal Regulations, Title II, Subtitle A, Chapter 2, Part 200, Subpart E §200 the following procedures have been established for the Huntingdon Special School District:

The procedures used for selecting items to be included in Federal Grant Budgets are as follows:

1. Budget committee members, while meeting to discuss the preparation of the budget itself, will begin to itemize what should be purchased with moneys from the federal grant.
  - a. The first thing to be considered is the allowability of the costs. The district also has another document that include the procedures for determining allowability of costs.
  - b. **Reasonable Costs:**

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the school district is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

    - (1) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the school district 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, and other laws and regulations; and terms and conditions of the Federal award.
    - (3) Market prices for comparable goods or services for the geographic area.

- c. **CFR §200.407 Prior written approval** - Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the school district may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability.
  
- d. **CFR §200.408 Limitation on allowance of costs** - The Federal award may be subject to statutory requirements that limit the allowability of costs. When the maximum amount allowable under a limitation is less than the total amount determined in accordance with the principles in this part, the amount not recoverable under the Federal award may not be charged to the Federal award.