

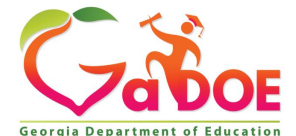
Navigating the Waters of Allowability

SELDA

**Department of Special Education
Services and Supports
IDEA Fiscal Unit**



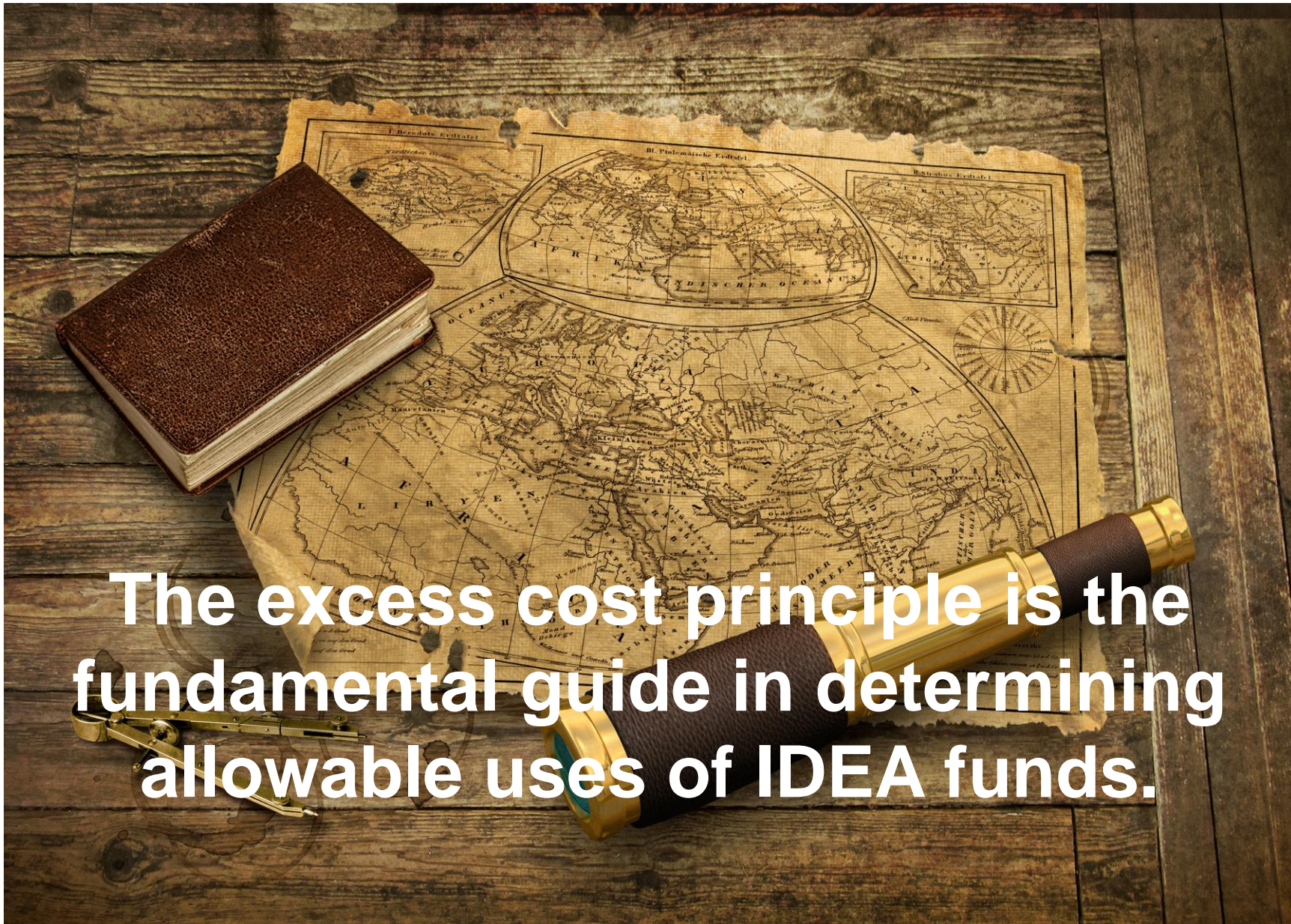
July 19, 2023





Before we set sail....

Think of two or three budget expenditures.
Choose one expenditure and record it in the notes app on your cellular device or make a note of the expenditure.



The excess cost principle is the fundamental guide in determining allowable uses of IDEA funds.

Employ the Excess Cost Principle

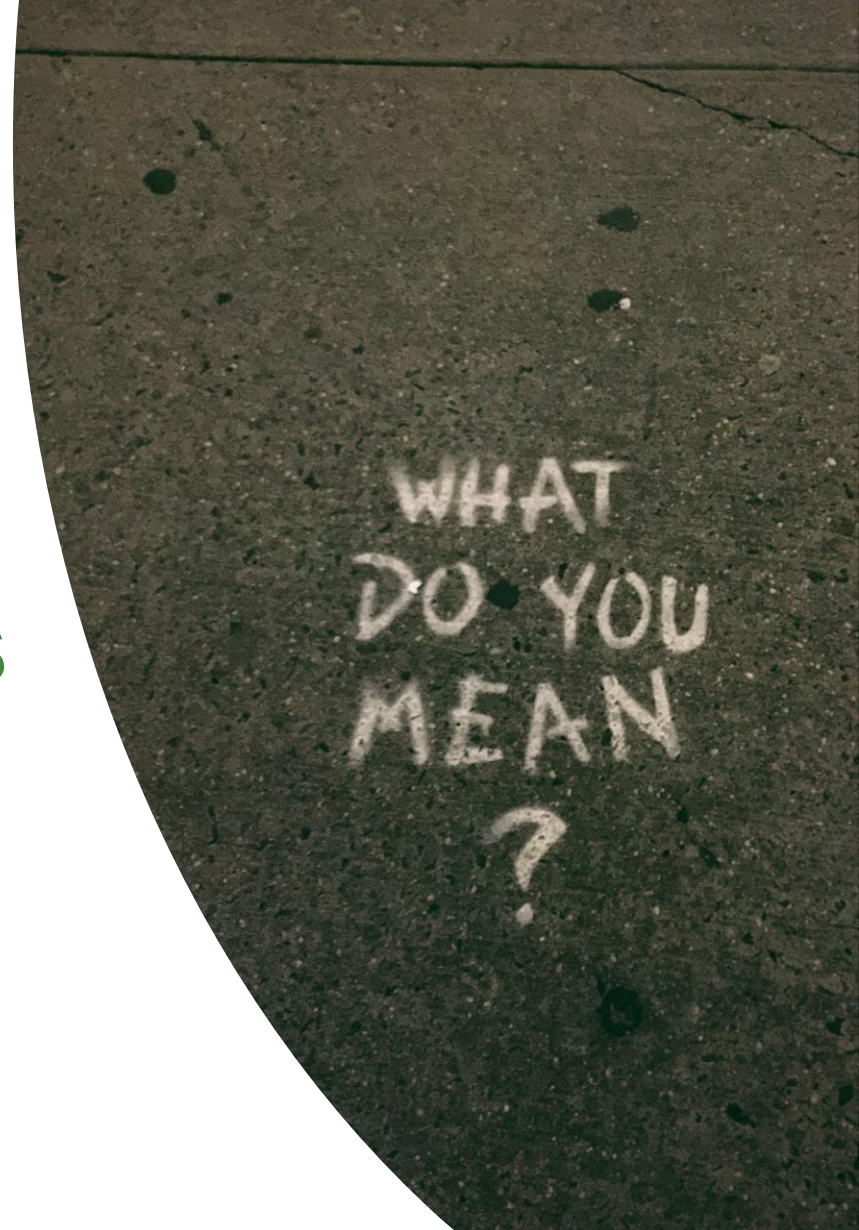
- Excess costs: the costs of providing special education and related services to students with disabilities that exceed what is expended for ALL students
- IDEA funds must be used to supplement and not supplant state, local and other federal funds

Employ the Excess Cost Principle

- Allowable costs must be an excess cost of providing special education and related services
- Only *allowable* costs may be charged to the IDEA Flowthrough or IDEA Preschool grants

Guiding Questions:

When determining whether a cost is an excess cost, ask guiding questions.



Engage in Questioning

- In the absence of special education needs, would this cost exist?
 - **Yes**, then the cost is not an excess cost and is not allowed.
 - **No**, then the cost is an excess cost and may be allowed.
- Is this cost also generated by students without disabilities?
 - **Yes**, then the cost is not an excess cost and is not allowed.
 - **No**, then the cost is an excess cost and may be allowed.
- If it is a child specific service, is the service documented in the student's IEP?
 - **Yes**, then the cost is an excess cost and may be allowed.
 - **No**, then the cost may not be an excess cost and may not be allowed.

Embrace the Rules

- IDEA statute
- IDEA regulations
- EDGAR
 - Education Department of General Administrative Regulations



Ensure IDEA Costs are Allowable under EDGAR (cont.)

Subpart E – Cost Principles

- 2 CFR § 200.403 Factors affecting allowability of costs

All Costs Must Be:

- ✓ Necessary, Reasonable and Allocable
- ✓ Conform with federal law and grant terms
- ✓ Consistent with state and local policies
- ✓ Consistently treated
- ✓ In accordance with generally accepted accounting principles (GAAP)
- ✓ Not included as match
- ✓ Adequately documented





Allowable Costs for IDEA

Must be ***necessary*** and ***reasonable*** for proper and efficient performance and administration of the grant

Exactly What Is Allowability?

How would you define the word “allowability”?



Factors Affecting Allowability Costs

2 CFR § 200.403

All Costs Must Be:

- ✓ Necessary, reasonable and allocable
- ✓ Conform with federal law and grant terms
- ✓ Consistent with state and local policies
- ✓ Consistently treated
- ✓ In accordance with generally accepted accounting procedures (GAAP)
- ✓ Not included as match
- ✓ Adequately documented

Necessary

2 CFR § 200.404

- Consideration must be given to:
 - Whether cost is a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award
- Practical Questions:
 - Is this cost necessary for the performance of the grant?
 - Does this cost support the purpose of the grant?

Reasonable

2 CFR § 200.404

- **A cost is reasonable if it does not exceed what a district would normally incur in the absence of federal funds**
- Practical Questions:
 - Does the program really need this?
 - Is the expense targeted to valid programmatic or administrative need?
 - Is it in the program plan?
 - Is it required in a student's IEP?

Reasonable (cont.)

- Additional Practical Questions:
 - Is this the minimum amount we need to spend to meet my need?
 - Do we have the capacity to use what we are purchasing?
 - Did we pay a fair rate?
 - Is it sustainable?
 - If we were asked to defend this purchase, would we be able to?

Allocable

2 CFR § 200.405

- **A cost is allocable to a Federal award or cost objective if the goods or services involved are chargeable or assignable in accordance with relative benefits received.**
 - Incurred specifically for the Federal award;
 - Benefits both the Federal award and other work and can be distributed in proportions that may be approximated using reasonable methods; and
 - Is necessary to the overall operation of the non-Federal entity and assignable to the Federal award in accordance with the principles in this subpart.

Allocable (cont.)

- Practical Questions
 - Is the amount charged to grant commensurate with the benefit received?
 - Can the benefit received be determined, especially if sharing costs with other programs?



Allowability Documentation

2 CFR § 200.403(g)
To meet allowability
requirements...
costs must be
adequately
documented.

Allowability Documentation

34 CFR § 76.730 and 76.731

- A State and subgrantee shall keep records that fully show:
 - The amount of funds;
 - How funds were used;
 - Total cost of the project;
 - Share of the cost provided from other sources; and
 - Other records to facilitate an effective audit.
- Shall keep records to show compliance with program requirements.

Allowability Documentation (cont.)

2 CFR § 200.333

Retention Requirements For Records

- Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report.
- BUT, need to keep records for 5 years because...

Allowability Documentation

GEPA - Statute of Limitations

34 CFR § 81.31(c)

- No recipient under an applicable program shall be liable to return funds which were expended in a manner not authorized by law more than 5 years before the recipient received written notice of a preliminary departmental decision.
- Case law established that the 5 year statute of limitations period ran from the date of obligation.
 - Appeal of the State of Michigan, Dkt. No. 8(272)88 (Nov. 27, 1987) (“ED and the EAB have consistently held that ‘expended’ as used in the statute means ‘obligated.’”)

Allowability Documentation

Methods for Collection, Transmission and Storage of Information 2 CFR § 200.335

- When original records are electronic and cannot be altered, there is no need to create and retain paper copies.
- When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided they:
 - Are subject to periodic quality control reviews;
 - Provide reasonable safeguards against alteration; and
 - Remain readable.



Expend IDEA Funds on Allowable Costs

Categorized generally into two groups:

1. Direct costs

Pays for activities or services that benefit the federal award project

2. Indirect costs

Pays for activities or services that benefit more than one project

Direct Costs vs. Indirect Costs

1. Direct costs
 - Salaries
 - Fringe benefits
 - Purchased services
 - Equipment
 - Supplies
2. Indirect costs
 - Cost of doing business
 - Utilities
 - Accounting
 - Human Resources



Unallowable Indirect Costs

2 CFR § 200.403(d)

- If you charge costs directly to your federal grants, you cannot include the same type of costs in your indirect cost pool (this is what is used to negotiate your rate) as this will result in the double charges of federal grants.

Indirect Costs and Administrative Staff

2 CFR § 200.413(c)

Salaries of administrative and clerical staff should be treated as indirect costs. Direct charging of these cost is allowable if **ALL** of the following are met:

1. Such services are integral to the activity.
2. Individuals can be specifically identified with the activity.
3. Such costs are explicitly included in the budget.
4. Costs not also recovered as indirect.

Allowable Expenditures

- Child find activities
- Equitable services
- Comprehensive Coordinated Early Intervening Services (CCEIS) and Voluntary Coordinated Early Intervening Services (CEIS)
- Specialized desks, chairs and tables





Allowable Expenditures

- Special education teachers and related services providers
- Professional development for special education personnel
- Instructional materials and supplies for use with students with disabilities

A close-up, high-angle photograph of the hull of a wooden boat. The hull is constructed from horizontal wooden planks, showing natural wood grain and knots. The boat is positioned on dark, rippling water. The image is partially obscured by a white curved shape on the right side, which serves as a background for the text.

Allowable Expenditures

- Software
- Non-capital equipment
- Assistive technology and assistive technology services
- Transition services

Expenditures Requiring Prior Approval

- IDEA equipment with a *per unit cost* of \$5,000 or more
- Participant support costs (PSCs) for expenditures exceeding a total cost of *\$5,000 per individual participant or trainee per conference training or event*



Equipment Prior Approval Procedures

All equipment expenditures, except software licenses, with a **per unit cost** of \$5,000 or more, must have prior written approval.



Must send an email to your Budget Liaison containing the detailed expenditure, cost (and quotes if already acquired), and purpose/use of the expense.

Equipment Prior Approval Procedures (cont.)

Before sending prior approval requests, LEAs should be able to answer the following guiding questions:

Guiding Questions:

- Is the cost reasonable and necessary for the program?
- Do sound business practices support the expenditure?
- Does the expense support the purpose of the grant?
- Is the expense in compliance with laws, regulations and grant terms?

Equipment Prior Approval Procedures (cont.)

Guiding Questions:

- Is the price comparable to that of similar goods or services in the geographic area?
- Is the purchase for the excess cost of educating students with disabilities?
- Is this cost only generated by students with disabilities or is it also generated by students without disabilities?

Participant Support Costs (PSCs)

2 CFR § 200.75

- *Participant support costs* means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.
 - Contractors/vendors are not considered employees unless they are defined by the LEA as “contracted employees.”

Participant Support Costs (PSC) (cont.)

2 CFR § 200.45

Participant support costs are allowable with the prior approval of the Federal awarding agency.

Participant Support Costs (PSC) - Conferences

2 CFR 200.432 Conferences

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award.

Participant Support Costs (PSC) – Conferences

Allowable conference costs paid by the non-Federal entity as a sponsor or host of the conference may include rental of facilities, speakers' fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable.

Participant Support Costs (PSC) – Conferences

Conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award. The Federal awarding agency may authorize exceptions where appropriate for programs including Indian tribes, children, and the elderly. See also §§200.438 Entertainment costs, **200.456 Participant support costs**, 200.474 Travel costs, and 200.475 Trustees.

Participant Support Costs Approval

- For participant support cost approvals, send an email to your Budget Liaison containing the detailed expenditure, cost, and purpose/use of the expense as it relates to cost principles.
- All approvals must be within the period of performance, and if known at the beginning of the year, with budget approval.

Allowability Scenarios



Spending Scenario #1

You want to provide extrinsic awards for good behavior and would like to provide popcorn on Friday afternoons to students who have demonstrated acceptable behavior throughout the week. You would like to purchase a popcorn popper and supplies for \$600 from your IDEA 611 budget.

Is this allowable?

Spending Scenario #2

In the self-contained classroom, a software package with an evidence base of strong offers extrinsic rewards to students who achieve weekly goals. You would like to purchase this software and the add-on rewards package.

Is this allowable?

Spending Scenario #3

Your district's finance department has asked you to fund 70% of your Special Education Director salary with IDEA 611 funds.

Is this allowable?

Spending Scenario #4

You recorded an expense at the beginning of this presentation.

Is your expense (actual, proposed or imagined) allowable?



Questions?

Resources

- [IDEA Budget Unit Team](#)
- [Uniform Grant Guidance – CFR Part 200](#)
- [GaDOE Financial Management \(FMGLUA\) Chapter 4 – Purchasing](#)
- [Checklist to Guide LEA's Written Procedures and Practices for Procurement](#)



Federal Regulations

Regulation	Description
<u>2 CFR § 200.403</u>	Factors affecting allowability of costs
<u>2 CFR § 200.404</u>	Reasonable costs
<u>2 CFR § 200.313</u>	Equipment
<u>2 CFR §§ 200.318 – 200.326</u>	Procurement standards

Georgia Department of Education (GaDOE) Resources

[Division for Special Education Services and Supports - Budget, Grants and Consolidated Application](#)





Richard Woods, Georgia's School Superintendent
"Educating Georgia's Future"

Allowable Costs

Costs must be: necessary, reasonable, allocable, and documented.

Guiding Questions:

- Is the cost reasonable to address a valid need?
- Is the cost necessary for the performance of the grant?
- Do sound business practices support the expenditure?
- Does the expense support the purpose of the grant?
- Is the expense in compliance with laws, regulations, and grant terms?
- Is the cost a fair rate?
- Does the LEA have the capacity to use the purchase?
- Will the expenditure have an educational benefit within the grant period of availability?
- To prove and document allocability, is the amount charged to the grant commensurate with the benefit received?

For costs to be allowed using IDEA funds specifically, they must be for the excess cost of providing special education and related services.

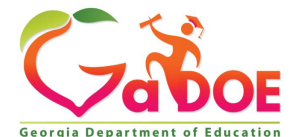
Guiding Questions for Determining Excess Cost:

- In the absence of special education needs, would this cost exist?
 - Yes – the cost is not allowed
 - No – the cost may be allowed
- Is this cost also generated by students without disabilities?
 - Yes – the cost is not allowed
 - No – the cost may be allowed
- If it is a child specific service, is the service documented in the student's IEP?
 - Yes – the cost may be allowed
 - No – the cost may not be allowed

Federal Regulatory Guidance:

- 2 CFR §200.403 Factors affecting allowability of costs**
- 2 CFR §200.404 Reasonable costs**
- 2 CFR §200.405 Allocable costs**
- 2 CFR §200.313 Equipment**
- 2 CFR §200.317 - §200.326 Procurement Standards**

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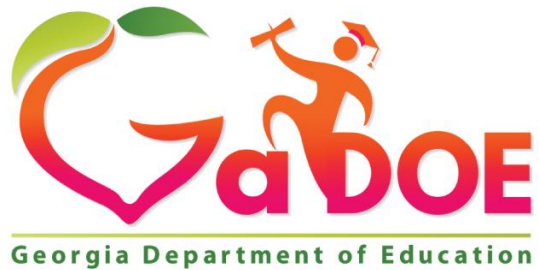


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