



Transit Financial Tips and Tricks Allowable Costs

By Lisa Koch

It can be challenging to determine whether a purchase that benefits a transit program can be an allowable cost within the federal grant program. The United States Office of Management and Budget has issued one circular that creates uniformity in cost principles and auditing for federal grants. This circular is called the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, more commonly referred to as the “Super Circular.” This circular can be found at https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl. Section 200.403 specifically describes factors that affect the allowability of costs.

For an item to be eligible under a federal grant many considerations that be satisfied.

1. The cost must be “necessary and reasonable to the performance of the federal award.” This means that this cost is necessary to the success of the project. An example of a reasonable and necessary cost would be cleaning of transit vehicles. An example of a cost that is not reasonable and necessary would be excessive promotional items.
2. The purchase of this item must meet all other federal requirements related to this type of product. For example, if this product does not meet Buy America (a federal requirement on purchasing steel, iron and manufactured goods that are produced in the United States. More information can be found at <http://www.transit.dot.gov/buyamerica>) and the cost of the procurement is over \$150,000, it does not meet other federal requirements related to this type of product.
3. The purchase must be conducted in accordance with the federal, state and local purchasing policy that governs the agency. For example, if the price of this purchase dictates that it is a “small purchase,” the agency must conduct the procurement to the federal/state/local standards for small purchases and maintain records of the purchase.
4. There must be consistency in allocating the cost of the item as either a direct or indirect cost to the project. If it has ever been considered overhead, or an indirect cost, it cannot be considered a direct cost in order to get more of the costs reimbursed from the federal project.
5. Costs must be determined and reported based on generally accepted accounting principles. These are the common rules of accounting that maintain clear communication of financial information. An example of using generally accepted accounting principles would be a County government providing the transit department with its own cost code and sub codes within their accounting system.

6. The cost may not be used to meet the cost share or matching requirements for the federal grant. For example, if the project received an item as soft match, it may not use that item as an eligible cost.
7. The cost must be adequately documented. Documentation can be electronic, as in scanned and saved in computer files, or can be saved in an organized filing system. It must be organized logically and easily accessible.

The Super Circular provides additional guidance on reasonableness of costs (200.404) and cost allocation (200.405) which is valuable information for grants managers.

Sources:

National RTAP Transit Managers Manual, Administration and Compliance

<http://nationalrtap.org/transitmanager/Administration-Compliance/5311-Grant-Management-Requirements>

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

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RTAP TransReporter Winter 2019