

# NORTH CAROLINA DROPOUT PREVENTION GRANT

## Fiscal Guidelines

Applicable to All North Carolina Dropout  
Prevention Grants



# North Carolina Dropout Prevention Grants

## Financial Accounting System

# Fiscal Guidelines

*(Factors affecting allowability of costs)*

## Use of Funds/Reasonable and Necessary Costs

Funds requested must be only for those items that are reasonable and necessary for accomplishing the objectives of the program and for implementing activities as described in the dropout prevention application. All costs must be budgeted in the approved application to be eligible to be charged to the grant.

### Reasonable Costs:

*A cost is reasonable if its nature and amount does not exceed what a prudent person would incur at the time of purchase.*

Determine the *reasonableness* of a cost by considering whether it meets the following:

- The cost is of a type generally recognized as ordinary and necessary for the operation of the organization or grant performance.
- Restrictions or requirements are imposed for generally accepted, sound business practices, arms-length bargaining, federal or state laws and regulations, and grant award terms and conditions.
- Individuals acted with prudence in the circumstances of responsibility to the organization, its members, employees, clients, the public, and state government.
- There are significant deviations from established practices of the organization that may unjustifiably increase grant costs.

### Allowable Costs:

*A cost is allowable if the goods or services involved are aligned with an objective and in accordance with relative benefits received.*

To be allowed to be charged to a grant, costs must meet the following criteria:

- Be reasonable for the performance of the grant and be allocable under the applicable cost principles
- Conform to limitations or exclusions set forth in applicable cost principles or the grant agreement as to types or amount of costs
- Be consistent with policies and procedures that apply uniformly to state-funded activities and activities funded from other sources
- 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 federal-or state-funded program in the current or a prior period
- Not be used for lease-purchases (i.e., debt service) for discretionary grants
- Not be used for indirect costs if for state-funded grants

### **Allocable Costs:**

*A cost is allocable to a particular grant if (1) it is incurred solely to advance the work under the sponsored agreement; or (2) it benefits both the sponsored project and other work of the institution in proportions that can be approximated through use of reasonable methods.*

The following guidelines apply to allocable costs:

- A cost is allocable to a particular grant in accordance with the relative benefits received if it is treated consistently with other costs incurred for the same purposes in like circumstances and if it meets the following:
  - is incurred specifically for the grant
  - benefits both the grant and other work and can be distributed in reasonable proportion to the benefits received.
- Any cost allocable to a particular grant or other cost objective may not be shifted to other state awards to overcome funding deficiencies or to avoid restrictions imposed by law or by the terms of the grant award.

In determining the reasonableness, allowability and allocability of a given cost, careful consideration shall be given to the following:

1. Is the cost necessary and reasonable for proper and efficient performance and administration of the grant? Is the cost reasonable? (Ex. Are you comfortable explaining this expenditure to someone outside your organization?)
 

Does the cost align with the North Carolina Office of the State Auditor's Schedule of Receipts and Expenditures? (Refer to <http://www.ncauditor.net/nonprofitsite/forms/2007/NGO%200005%20Schedule%20of%20Receipts%20and%20Expenditures.pdf>)
2. Is the cost authorized and not prohibited under Federal, State or local laws or regulations?
3. Does the cost conform to any limitations or exclusions set forth in the grant? (Ex. is the cost allowable by legislation and the purpose of the grant?)
4. Are fair practices in hiring and spending adhered to? (Ex. Does the cost adhere to "arms-length" relationships between grantee and merchants/subcontractors and align with fair market rates for

- comparable goods or services?) Are salaries consistent with local salary ranges? Is the student benefit proportional to the cost of the grant?
6. Is the cost not included as a cost or used to meet cost sharing or matching requirements of any state or Federal award in either the current or a prior period and not funded under other grants?
  7. Is a documentation procedure established (Ex. receipts, invoices, contracts, timesheets) to adequately maintain full accounting records?) (Ex. Can required documentation from the North Carolina Office of the State Auditor be adequately completed? Records should be retained for 5 years and available for examination at any time upon request.)  
[www.edstar.biz/client/dropoutprevention/](http://www.edstar.biz/client/dropoutprevention/)

## **Unallowable Costs:**

*The following costs, either direct or facilities and administration costs are unallowable on dropout grants unless specifically approved in such grant.*

## **List of Unallowable Cost:**

*The following costs, either direct or facilities and administration costs are unallowable on dropout grants unless specifically approved in such grant.*

- Alcoholic Beverages
- Audit Services
- Severance Payments
- Costs incurred for interest on borrowed capital
- Goods and Services for Personal Use
- Acquisition of real property for construction, maintenance and repairs
- Defense and prosecution of criminal and civil proceedings and claims
- Any losses arising from uncollectible accounts and other claims and related costs
- Contributions and donations including cash, property and services to individuals other than students served by the program as incentives
- Costs of investment counsel and staff and similar expenses incurred to enhance income from investments
- Costs of advertising and public relations designed solely to promote the grantee rather than the grant program
- The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements or loans
- Costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests and similar expenses incurred to raise capital or obtain contributions
- Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, or intensity or with an assurance of their happening
- Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure to comply with Federal, State, and local regulations
- Costs of entertainment for the sole purpose of amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities)

\*Please note that this is not a total list of the unallowables. Please check with the grant provider if you are unsure about any possible issues that might not be allowed in the grant.

*Note: Any significant deviations from the established practices of the unit which may unjustifiably increase reasonable/allocable cost or from proposed budget submitted with grant application should be submitted to the North Carolina Committee on Dropout Prevention for approval.*