

## FINANCIAL POLICY AMENDMENT TO MEET THE REQUIREMENTS OF 2 CFR § 200.302(B)(7)

### Cost Allowability for Charges Against Federal Awards

*General.* All costs incurred by the City under a grant award from the U.S. Department of Transportation, Federal Transit Administration, shall be subject to the cost allowability standards articulated in OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

*Procedure.* Prior to entry into the general ledger, the Financial Officer shall determine if the nature of the expense and determine if the expense:

*Allowability* – meets the general requirements established in 2 CFR § 200.403(a) through §200.403(g). The City will maintain a system of internal controls over Federal expenditures to provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the above referenced cost principles.

Those controls will meet the following general criteria:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the district.
- Be accorded consistent treatment.
- 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 federally-financed program in either the current or a prior period.
- Be adequately documented.

*Selected Items of Costs* – is consistent with one of the allowability factors for selected items of costs articulated in 2 CFR § 200.420 through § 200.475.

*Grant Budget* – is consistent with the allowable expenses provided for in the grant agreement.

This procedure will be employed regardless of whether the City classifies the expense as a direct or indirect (F&A) cost. If deemed allowable, the Financial Officer shall code the expense in accordance with the account code established for the FTA grant and record the amount in the general ledger. If the Financial Officer cannot establish the allowability of an expense, consultation with the City Administrator shall be required to make the determination before any cost is entered in the general ledger. If unable to be resolved by the City Administrator, the City shall seek clarification with the Federal awarding agency or pass-through agency.

If deemed ineligible for reimbursement under the Federal award, the Financial Officer will record the item in Account 10-54800-XXX (TBD), "Ineligible Costs."