

Town of Hardwick

Cost Principles Policy

Policy Purpose:

This Cost Principles Policy outlines the Town of Hardwick's standards for determining allowable, reasonable, and allocable costs for federal grants and subawards, in compliance with the Federal Uniform Grant Guidance (UGG) under 2 CFR Part 200. These standards are established to ensure responsible and effective financial management of federal funds in alignment with applicable regulations.

1. Policy Overview

The Town of Hardwick is committed to managing federal grants and awards in compliance with federal regulations, particularly the UGG cost principles. All costs charged to federal awards must be:

- **Allowable:** Incurred specifically for the purpose of the grant, necessary, and compliant with federal, state, and local laws.
- **Reasonable:** Reflecting fair market value for goods or services and representing sound business practices.
- **Allocable:** Proportionally assignable to a specific federal award based on benefits received.

2. Allowable Costs

Costs are allowable when they meet the following criteria:

- **Compliance with Grant Terms:** Costs must align with the terms and conditions of the federal award.
- **Federal Regulations Compliance:** All costs must comply with federal cost principles, as well as state and local laws.
- **Necessity:** Costs should be necessary to achieve the objectives of the project, grant, or program.
- **Documentation:** Costs must be adequately documented, with records retained in accordance with 2 CFR 200.334 for audit and review purposes.

Examples of allowable costs include, but are not limited to:

- Personnel costs directly related to the project
- Supplies and materials essential to the grant activities
- Contracted services that meet procurement and cost principles

3. Reasonable Costs

Costs are deemed reasonable if they:

- Reflect what a prudent person would incur under similar circumstances in conducting business.

- Are consistent with established policies and practices.
- Take into consideration market prices, the complexity of services, and the urgency of need.

4. Allocable Costs

A cost is allocable to a federal award if:

- It benefits the specific grant or project to which it is charged.
- The allocation is proportionate to the benefits received by the project or program.
- It is reasonable to split costs across multiple projects when they jointly benefit, using a clear and documented methodology.

5. Unallowable Costs

Costs that do not comply with the UGG principles of being allowable, reasonable, or allocable, as well as costs specified as unallowable under federal guidelines, cannot be charged to a federal award. Examples of unallowable costs include:

- Entertainment expenses
- Alcoholic beverages
- Fines and penalties
- Lobbying activities

6. Direct and Indirect Costs

- **Direct Costs:** Costs directly attributed to a specific grant or project, such as salaries, supplies, and equipment.
- **Indirect Costs:** Costs not directly linked to one project but necessary for the general operation, such as utilities or administrative support. These may be allocated if a federally approved indirect cost rate is applied.

7. Cost Allocation Methodology

For costs shared across multiple programs, the Town of Hardwick will use a documented, fair, and consistent cost allocation methodology. This methodology will be periodically reviewed and revised to ensure accuracy and compliance.

8. Documentation and Record-Keeping

All costs associated with federal grants must be supported by detailed records that include:

- A description of the purpose of the cost
- Allocation basis (if applicable)
- Proof of payment and approval
- Retention of records as per the federal and town record retention policy

9. Compliance and Oversight

The Town Manager, or designee, is responsible for ensuring compliance with this Cost Principles Policy. All town employees and departments working on federal grant projects will receive training to understand and implement this policy. Compliance will be monitored through regular audits, both internal and external, as required.

10. Policy Review and Revisions

This policy will be reviewed at least annually and updated as necessary to reflect any changes in federal guidance or town policy.

The foregoing Policy is hereby adopted by the Select Board of the Town of Hardwick, Vermont, this 5th day of December 2024 and is effective as of this date until amended or repealed.

Select Board:



Eric Remick, Chair



Ceilidh Galloway-Kane, Vice Chair



Shari Cornish



Tim Ricciardello



Danny Hale