

Allowable Cost Checklist for Federal Funds

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards. Answering “Yes” to all of the following questions implies that a cost may be allowable.

Is the cost:

- Necessary (2 C.F.R. § 200.403(a))
 - Is the cost necessary to carry out the plan of the federal program?

- Reasonable (2 C.F.R. § 200.404)
 - Did the entity follow its purchasing or procurement procedures (and the procurement standards are in line with federal procurement standards)?
 - Is the cost in line with fair market prices for comparable goods or services?
 - Would a “prudent person” agree that the item is reasonable?

- Conforming to Limitations or Exclusions (2 C.F.R. § 200.403(b))
 - Is the cost permissible and NOT disallowed under the 55 specific items of cost found in the Uniform Grant Guidance 2 C.F.R. § 200.420-475?
 - Is the cost permissible under the program statute and regulations?
 - Is the cost permissible under the terms and conditions of the sub award?
 - Is the cost permissible under state statute?
 - Is the cost permissible under the entity’s policies?

- Consistent with Policies and Procedures (2 C.F.R. § 200.403(c))
 - Are the entity’s policies and procedures consistent among funding sources?
 - Do the entity’s policies and procedures apply the same rules for federal programs as they do for state and local programs?
 - Would the cost be the same amount if it was funded by a state or local program?

- Accorded Consistent Treatment (2 C.F.R. § 200.403(d))
 - Is the cost excluded from the entity’s indirect cost rate?
 - Is the cost treated the same for the federal program as it is for state and local programs?

- Allocable (2 C.F.R. § 200.405(a))
 - Is the cost incurred specifically for the federal program?
 - If the cost benefits the federal program and other initiatives/programs, was the cost distributed in proportions that may be approximated using reasonable methods?

- Determined in Accordance with Generally Accepted Accounting Principles (GAAP) (2 C.F.R. § 200.403(e))
 - Is the cost determined in accordance with Generally Accepted Accounting Principles (GAAP) or as otherwise provided for in the Uniform Grant Guidance?

- Not used for cost sharing or matching requirements (2 C.F.R. § 200.403(f))
 - Is the cost not being used to meet cost sharing or matching requirements of any other federally-financed program?

- Adequately Documented (2 C.F.R. § 200.403(g) and 2 C.F.R. § 200.302(b)(3))
 - Do you have the documentation demonstrating the need, the purchase, and use of the item?
 - Do you have records that identify the source and application of funds and contain information regarding authorizations, obligations, unobligated balances, assets, expenditures, income and interest that are supported by source documentation?