



HRSA
Healthy
Grants
WORKSHOP
Presented as a Web Series

HRSA
Health Resources & Services Administration

Allowable and Unallowable Costs

June 10, 2026

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Office of Federal Assistance and Acquisition Management (OFAAM)

Vision: Healthy Communities, Healthy People



Agenda



Importance of Proper Grants Management

Statutory, Regulatory, and Policy Requirements

Principles for Determining Eligibility of Costs

Select Allowable & Unallowable Costs

Common Findings

Maintaining Supporting Documentation

Q&A

Learning Objectives

(1) **Understand** the importance and benefits of proper grants management.

(2) **Identify** the primary rules governing grant costs.

(3) **Define** the core cost principles: allowable, reasonable, and allocable.

(4) **Differentiate** allowable vs. unallowable costs in select cost areas.

(5) **Explain** requirements for maintaining supporting documentation.

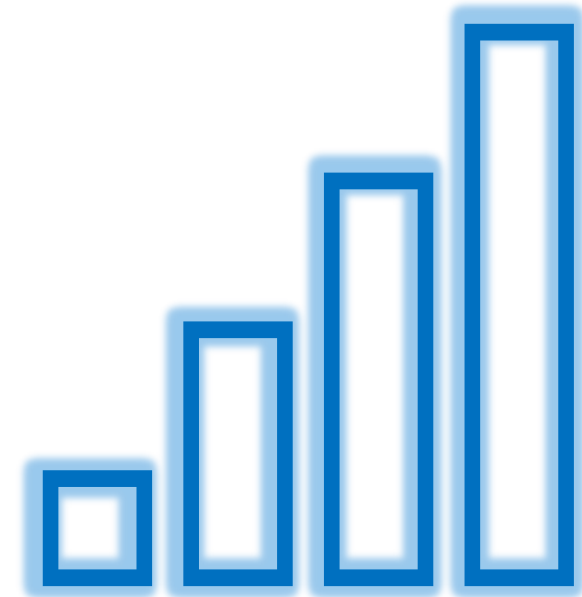
(6) **Recognize** and avoid common compliance audit findings.



Poll Question

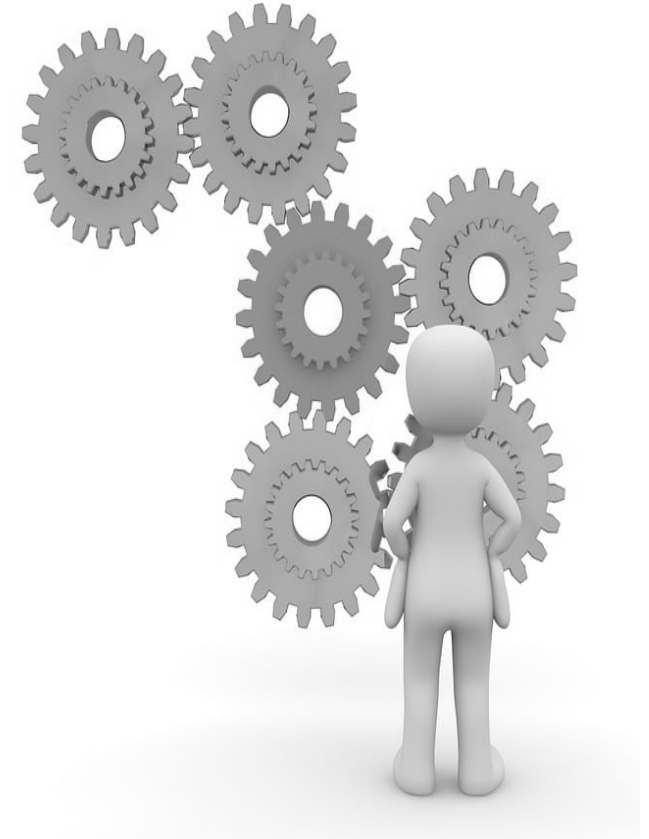
How many years of experience do you have with managing Federal grants?

- a) <1 year
- b) 1-3 years
- c) 3-5 years
- d) > 5 years



Importance of Proper Grants Management

- Maximizes Resources
 - Grants represent significant funding
 - Ensures every dollar is used effectively and efficiently
- Enhances Accountability
 - Fosters transparency and stakeholder trust
 - Promotes responsible resource allocation and project implementation



Importance of Proper Grants Management – Cont'd

- Achieves Program Objectives
 - Ties funding to program goals
 - Align activities with grant objectives
- Mitigates risk of non-compliance
 - Audit findings and disallowed costs
 - Repayment of funds
 - Termination of award



Statutory, Regulatory, and Policy Requirements

- 2 Code of Federal Regulations (CFR) Part 200
- 2 CFR Part 300

▼ Title 2 Federal Financial Assistance

▼ Subtitle A Office of Management and Budget Guidance for Federal Financial Assistance

▼ Chapter II Office of Management and Budget Guidance

▼ Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

▼ Subpart E Cost Principles

▼ General Provisions

§ 200.400 Policy guide.

§ 200.401 Application.

▼ Basic Considerations



Statutory, Regulatory, and Policy Requirements – Cont'd

- HHS Grants Policy Statement (HHS GPS)
- Program Specific Requirements
 - Found in your Notice of Award (NoA)
 - Specific to your funded program
 - Essential to avoiding unallowable costs
 - ✓ Can have terms making a cost unallowable that might normally be allowable for another award
 - Discuss the terms and conditions with your GMS and PO



Principles for Determining Eligibility of Costs

Allowable

(CFR 200.403)

Permitted by law, regulation, and the specific terms of your award.



Ask Yourself:

Can my grant legally pay for this?

Reasonable

(CFR 200.404)

Does not exceed what a prudent person would pay under the circumstances.



Ask Yourself:

Is this a sensible price to pay?

Allocable

(CFR 200.405)

Directly or indirectly benefits the Federal program.



Ask Yourself:

Does this cost actually benefit this grant?

Allowable Costs – 2 CFR 200.403



Necessary and Reasonable



Conforms to award limitations



Uniformly Applied



Consistent Treatment



Follows GAAP



Excluded from cost-sharing/matching



Adequately documented

Knowledge Check #1

You are about to approve a significant purchase for your HRSA grant. For this cost to be considered "Allowable", which of the following statements is TRUE.

- a) As long as the project needs the item to succeed, it is automatically allowable.
- b) The cost must be Necessary, Reasonable, and Allocable, while also complying with both the CFR and your specific grant terms and conditions.
- c) A cost is allowable if it is necessary for your organization to survive, even if it primarily benefits a different, non-federal project
- d) You can charge a cost to the grant if you have a receipt and your supervisor's approval.

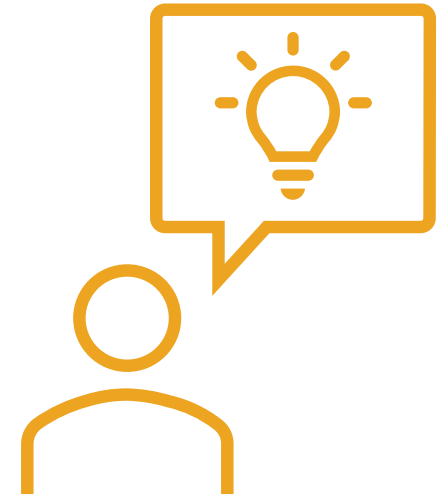


Knowledge Check #1 - Answer

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Answer: b)



Reasonable Costs – 2 CFR 200.404



Ordinary & Necessary

Required for operations and award performance



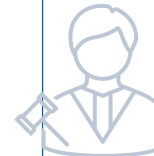
Restraints Imposed

Adheres to applicable laws and grant terms



Market Prices

Comparable to market prices



Prudent Person

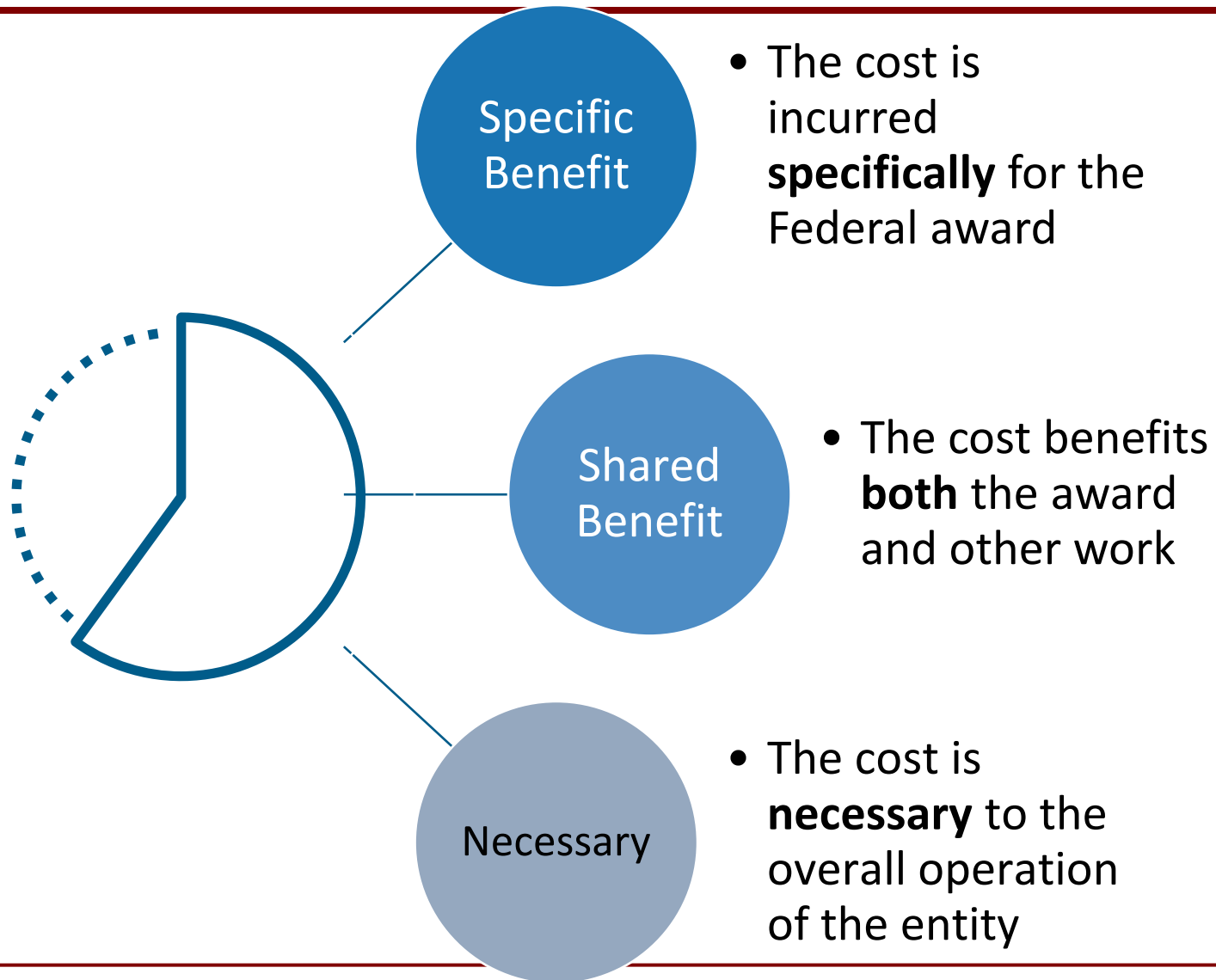
Aligns with prudent person test



Established Policies

Does not deviate from internal practices

Allocable Costs – 2 CFR 200.405



Examples of Unallowable Costs



GENERALLY UNALLOWABLE

- 200.424 Alumni activities
- 200.434 Contributions and donations
- 200.438 Entertainment and prizes
- 200.441 Fines, penalties, damages and other settlements
- 200.444 General costs of government
- 200.446 Idle facilities and idle capacity
- 200.455 Organization costs
- 200.467 Selling and marketing costs



EXPLICITLY UNALLOWABLE

- 200.423 Alcoholic Beverages
- 200.426 Bad debts
- 200.445 Goods or services for personal use
- 200.450 Lobbying
- 200.451 Losses on other awards or contracts

Knowledge Check #2

True or False:

At the end of the quarter, your organization identifies \$15,000 in "Bad Debt"—revenue lost from patients who were unable to pay their sliding-fee scale balances and whose accounts are now uncollectible. Since the HRSA grant is specifically designed to support the mission of serving the uninsured and underinsured, you are permitted to charge this loss to your federal award.

- True
- False



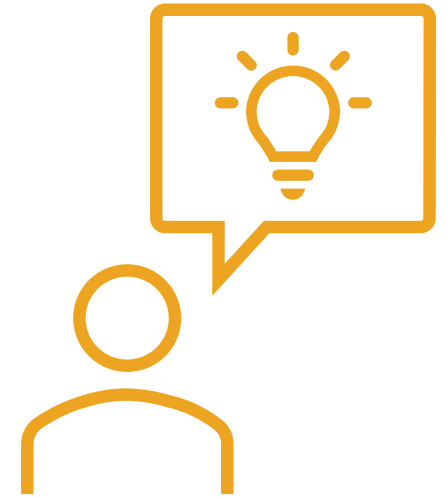
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- True
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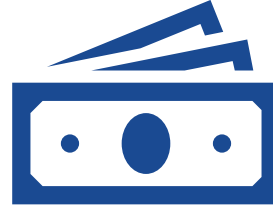
Answer: False



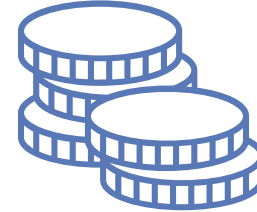
Select Allowable & Unallowable Costs



**Advertising and
public relations**



**Compensation
costs**



**Incentive
compensation**



Meals



Travel



Other Costs

Advertising and Public Relations – 2 CFR 200.421

Allowable



Advertising and Public Relations cost **must be required** for the Federal Award.

Examples: personnel recruitment; procurement; program outreach; impact reporting, communicating public information

Unallowable



- Advertising and public relations designed solely to promote the non-Federal entity

-Promotional items, including models, gifts, and souvenirs

-Attending or hosting events outside of award scope

Compensation Salaries and Wages – 2 CFR 200.430

Compensation costs are allowable if:



⚠ **2026 Executive Level II Salary Cap: \$228,000** — maximum salary chargeable to federal awards.

Incentive Compensation – 2 CFR 200.430(f)

Allowable — Incentive Compensation

- ☐ Reasonable for work performed
- ☐ Written policy established before work is performed
- ☐ Applied consistently to all employees.
- ☐ Approved

Unallowable — Incentive Compensation

- ☐ Excessive or unreasonable for work performed
- ☐ No written policy prior to work performed
- ☐ Applied only to federally funded staff
- ☐ Not approved

Knowledge Check #3

A medical director, earns an annual salary of \$300,000 per year and charges 50% of his time to a HRSA grant, 10% to an NIH grant, and 40% to Non-Federal activity. What is the maximum amount the organization can charge to the HRSA grant, and how much of the Medical Director's total salary must the organization cover using non-federal funds?

- a) HRSA grant: \$150,000 | Non-federal funds: \$150,000
- b) HRSA grant: \$114,000 | Non-federal funds: \$163,200
- c) HRSA grant: \$114,000 | Non-federal funds: \$120,000
- d) HRSA grant: \$150,000 | Non-federal funds: \$120,000

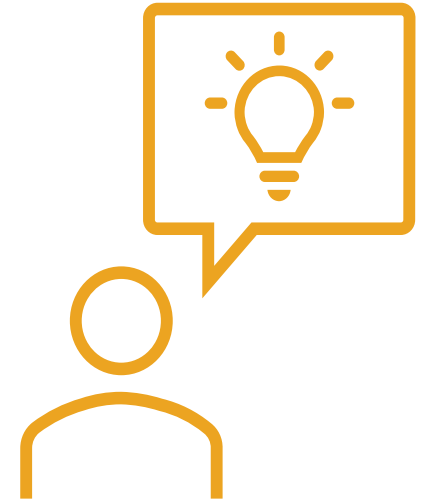


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- c) HRSA grant: \$114,000 | Non-federal funds: \$120,000
- d) HRSA grant: \$150,000 | Non-federal funds: \$120,000

Answer: b)



Knowledge Check #3 – Answer Cont'd

Calculation:

Executive Level II Salary is **\$228,000**

Allowable Federal Charge:

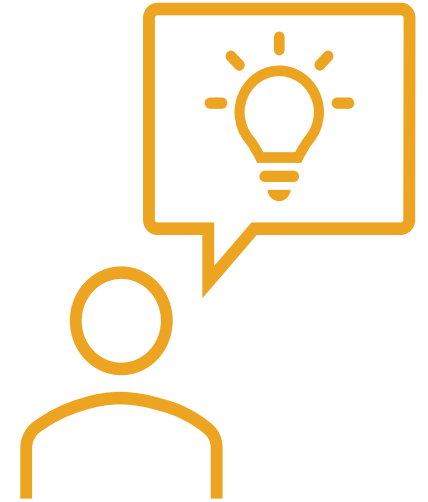
HRSA grant: $\$228,000 \times 50\% = \$114,000$

NIH Grant: $\$228,000 \times 10\% = \$22,800$

Allowable Federal Charge = **\$136,800**

Non-Federal Charge:

$\$300,000$ (Total Salary) - $\$136,800$ (Allowable Federal Charge) = **$\$163,200$**



Meals

**Generally
unallowable
except for the
following:**

⚠ Remember that meal costs must always be reasonable, documented, and should never include alcohol.

- 1** Included in an allowable per diem or subsistence allowance for travel **2 CFR 200.475**
- 2** Necessary and integral part of a conference — not duplicated in per diem **2 CFR 200.432**
- 3** Specifically approved as part of the project (e.g., children's services programs)
- 4** Subjects and patients under study
- 5** Customarily provided to employees working beyond normal hours, per a formal compensation arrangement



Travel – 2 CFR 200.475

Allowable if:

- ▶ Individual's participation is **necessary** to the federal award.
- ▶ **Reasonable** and consistent with established travel policy.
- ▶ **Adequately supported** with required documentation.

Required Documentation:



Date & place of travel



Purpose of trip



Name of traveler



Itemized expense report

Other Costs

	 Allowable	 Unallowable
► Gift cards (200.456; 200.438; 200.421)	Incentive payments to volunteers or patients participating in a grant-supported project. Cost must be a documented stipend, subsistence, travel, dependent-care, or participation support payment to a non-employee participant in an approved grant activity.	Staff gifts, holiday gifts, or appreciation items — regardless of dollar amount are unallowable; gift cards used as part of promotional items and memorabilia.
► Membership Dues (200.454)	Professional and technical organizations, civic, or community memberships directly related to the award	Memberships in social clubs, country clubs, dining, or lobbying organizations.
► Fringe Benefits (200.431) <i>regarding salary cap</i>	Charged in addition to — not subject to — the Executive Level II salary cap.	Fringe rates applied to salary exceeding the cap are unallowable
► Audit Services (200.425)	Audit costs pro-rated across all federal awards based on relative benefit.	Audit costs charged entirely to one award when multiple awards benefit; costs of audits not required by or conducted in accordance with 2 CFR Part 200

Knowledge Check #4

A program director is traveling from Boston to a federally funded conference in Dallas. Instead of flying directly to Dallas, she books a flight from Boston to Nashville to visit family, then Nashville to Dallas — costing **\$520** total. A direct Boston to Dallas flight would have cost **\$410**. After the conference, she flies directly home to Boston for **\$230**. What is the total allowable airfare that can be charged to the federal award?



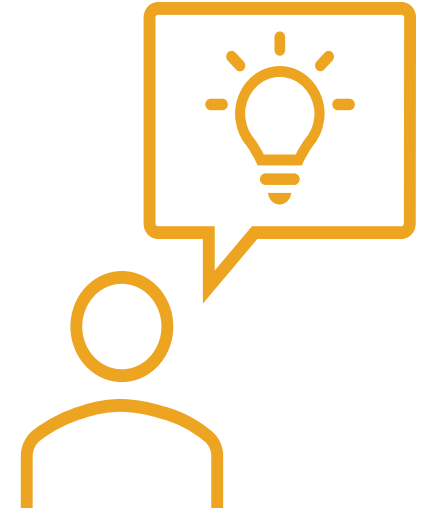
- a) \$750 (full cost of all flights)
- b) \$640 (direct Boston to Dallas + return flight)
- c) \$520 (outbound flights only)
- d) \$410 (direct Boston to Dallas only, return unallowable)

Knowledge Check #4 – Answer

A program director is traveling from Boston to a federally funded conference in Dallas. Instead of flying directly to Dallas, she books a flight from Boston to Nashville to visit family, then Nashville to Dallas — costing **\$520** total. A direct Boston to Dallas flight would have cost **\$410**. After the conference, she flies directly home to Boston for **\$230**. What is the total allowable airfare that can be charged to the federal award?

- a) \$750 (full cost of all flights)
- b) \$640 (direct Boston to Dallas + return flight)
- c) \$520 (outbound flights only)
- d) \$410 (direct Boston to Dallas only, return unallowable)

Answer: b)



Common Findings

Allowable and Unallowable Costs

Incentive Payments



Scenario 1: Incentives

Scenario:

- Grant recipient was awarded a grant to improve the health of mothers and children.
- As an incentive to increase participation, the project director offers \$30 Amazon gift cards to all those who participate.

Knowledge Check #5

The incentive gift cards offered in the scenario are_____.

- a) Allowable
- b) Unallowable
- c) Both allowable and unallowable



Knowledge Check #5 – Answer

The incentive gift cards offered in the scenario are_____.

- a) Allowable
- b) Unallowable
- c) Both allowable and unallowable

Answer: b) Unallowable



Allocability



Scenario 2: Allocability

Scenario:

- Grant recipient has been awarded a grant for primary health care.
- The recently hired payroll administrator, Traci, is unfamiliar with the grant requirements and does not know to allocate hours worked as required by the grant.
- Traci spends 20% of her time on the primary health care grant. However, the grant was budgeted for 40%.



Knowledge Check #6

How much time can Traci charge to the grant based on the scenario?

- a) 100%
- b) 75%
- c) 40%
- d) 20%



Knowledge Check #6 – Cont'd

How much time can be charged to the grant based on the scenario?

- a) 100%
- b) 75%
- c) 40%
- d) 20%



Answer: d) 20%

Travel



Scenario 3: Travel

Scenario:

- Grant recipient has been awarded a health center grant.
- The grant allows for travel to training conferences for health professionals.
- The grant recipient sends their medical doctors and nursing staff to a conference in Atlanta.
- Personal phone calls, luxury upgrades, and minibar charges incurred at the hotel.



Knowledge Check #7

Are these costs allowable in this scenario?

- a) Yes
- b) No



Knowledge Check #7 – Answer

Are these costs allowable in this scenario?

- a) Yes
- b) No

Answer: b) No



Meals and Entertainment



Scenario 4: Meals and Entertainment

Scenario:

- Grant recipient has been awarded a grant to enhance nutrition services.
- The grant must be used to prevent, manage, and treat conditions through nutritional and food-based interventions.
- The grant recipient purchases vegetables, fruit, soda, and pastries using the federal funds for distribution to families.
- The recipient also used federal funds to purchase tickets to a football game for employees to celebrate meeting a milestone.

Knowledge Check #8

In this scenario, are the food and football ticket costs allowable?

- a) Yes
- b) No
- c) Yes and No



Knowledge Check #8 – Answer

In this scenario, are the meal and football tickets costs allowable?

- a) Yes
- b) No
- c) Yes and No

Answer: c) Yes and No



Unsupported costs



Scenario 5: Unsupported Cost/Allowability

Scenario:

- Grant recipient has been awarded a Health Center Program Grant.
- Auditors noted missing supporting documentation for an office supply order.
- Supporting documentation included a purchase order.
- Recipient is selected for a compliance review.



Knowledge Check #9

How much of the \$500 charged to the grant award in the scenario is allowable/adequately supported?

- a) \$500
- b) \$0
- c) \$250
- d) \$1,000



Knowledge Check #9 – Answer

How much of the \$500 charged to the grant award in the scenario is allowable/adequately supported?

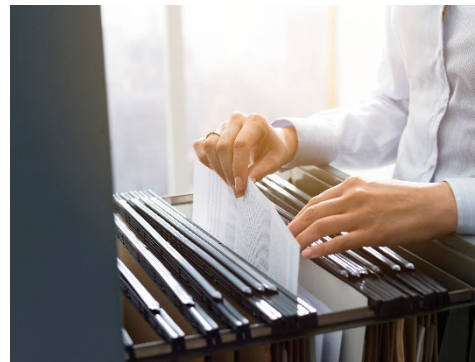
- a) \$500
- b) \$0
- c) \$250
- d) \$1,000

Answer: b) \$0



Maintain Supporting Documentation

REMEMBER: IF IT IS NOT DOCUMENTED... IT DOES NOT EXIST!

A photograph of a cancelled check from IDBI Bank. Red arrows point to various fields: 'Bank Name' (IDBI BANK), 'IFSC Code' (1056104000052508), 'Account number' (1056104000052508), and 'MICR number' (at the bottom). The check is marked 'CANCELLED' in large blue letters. Other text on the check includes 'VALID FOR THREE MONTHS ONLY', 'D D M M Y Y Y Y', 'या धारक को OR BEARER', 'अदा करें। ₹', 'Account holder's name A SULTHAN', and 'Please sign above'. The text 'Sulthan Academy' is visible at the bottom left.A photograph of a receipt form. The form has a 'PAID' stamp in red. The receipt includes fields for 'Bill to', 'Customer Number', 'Total', 'RATE', and 'AMOUNT'. The 'Customer Number' field has '0700-00' and '7no.' written in it. The 'Total' field has '77.15' written in it. The 'RATE' and 'AMOUNT' columns have '200.00', '347.00', and '547.00' written in them. The 'PAID' stamp is in red and has the word 'PAID' in large letters.

How to Document Federal Expenditures

Adequate documentation begins with:

- Separate Tracking of Federal Expenditures
 - Chart of Accounts
 - General Ledger
- Type of Documentation
- Record Retention Period



Maintaining Supporting Documentation

Adequate supporting documentation also includes:

- Timesheets, effort reports, and other associated payroll records
- Itemized receipts, invoices, POs, cancelled checks, bank/credit card statements, and packing slips
- Agreements, contracts, cost analysis documentation
- Detailed travel logs, travel vouchers, or expense reports (purpose of the trip)
- Costs should only support items listed in the approved grant budget



Record Retention – 2 CFR 200.334

All records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final financial report (Federal Financial Report -FFR) (including sub-recipient records)

- Best Practice– maintain documentation for at least 3 years from the date in which the final FFR is **approved!**



Note: There are exceptions so please be familiar with the regulation.

Access to Records – 2 CFR 200.337

The HHS awarding agency, Inspectors General, the Comptroller General, and the pass-through entity must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award to perform audits, examinations, or for any other official use.



Note: There are exceptions so please be familiar with the regulation.

Avoid Common Findings

Some good practices are:

- Maintaining an accounting system that can track and report costs by specific grant
- Periodically monitoring budget to actual expense reports
- Maintaining strong written policies and procedures that are reviewed often
- Maintaining and retaining adequate supporting documentation
- Having robust internal controls and ensuring they are followed



Maintaining Supporting Documentation

Areas Crucial To Your Grants Financial Health

Tip Sheet for HRSA Grantees

A Guide for Developing Effective Financial Management Practices

Each year, the Health Resources and Services Administration (HRSA) works with some of our federal recipients to return grant funds spent on unallowable costs. This impacts the recipient's ability to accomplish its important health mission. HRSA has prepared some simple tips to help recipients avoid mispending grant funds on unallowable expenditures or activities.



Stick to your plan

- Use the approved grant application and budget as your guide to spending your HRSA grant funds.
- If you need to adjust your plan, contact your HRSA Project Officer and Grants Management Specialist as early as possible.
- Track your actual use of HRSA funds and reconcile that back to your approved plan. Reconciling frequently, such as quarterly or even monthly, will help you identify possible issues closer to when they occur, which makes them easier to address.



Follow the flow

- The flow of HRSA grant funds through your organization needs to be clear and well-documented. Ensure you can identify and provide accurate, current, and complete disclosure of each federal award you receive.
 - Maintain written procedures for your accounting and financial management system practices.
 - Separate employee responsibilities and, when possible, build in layers of review to assist in preventing issues from fraud, waste, or abuse.
- NOTE:** Flow charts for procedures and responsibilities are helpful in providing a visual representation of your systems and can also highlight missing links or areas or practices that might be strengthened.



Keep your receipts

- Expenses must clearly document the flow of the money from the approved grant budget, to accounting records, to receipts and other supporting documentation.
- For activities not within the scope of your HRSA grant, ensure that your financial procedures identify, segregate, and track all costs associated with those activities so that it is NOT charged to the HRSA grant.

Common reasons for unallowable costs:

- Not adequately documented (the most frequent)
- Not compliant
- Not reasonable
- Not related to the HRSA grant



If you find a problem, fix it

- Good planning and internal controls help you provide reasonable assurance that you are in compliance with the terms and regulations of each federal award received.
- You must have effective internal controls over your HRSA grant, including taking prompt action when instances of noncompliance are identified.
- Minor errors, such as unallowable costs accidentally charged to the federal award account, should be addressed as soon as they are identified. Consider having a pre-established procedure for addressing errors, such as writing a memorandum (with a management official's signature and date) explaining the error and the corrective actions.
- For more significant errors, such as charging the HRSA grant for something already paid for by another federal award or funding source, contact your HRSA Project Officer and Grants Management Specialist immediately for information on corrective actions and how to repay any misspent funds.



Tools & Resources

- Want more information on ways to effectively manage your HRSA grants? Check out HRSA's [Manage Your Grant webpage](#).
- For more information related to financial management, refer to Title 45 part 75 of the Code of Federal Regulations, [HHS Grants Policy Statement](#), and your Notice of Award terms and conditions.



HRSA
Office of Federal Assistance Management

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Office of Federal Assistance & Acquisition Management

Reminders for Allowed and Unallowed Costs

Cost must be:

- Necessary, reasonable, and allocable
- In compliance with award terms and conditions & the CFR
- Within project scope
- Consistent treatment for all funding sources
- Supported by internal controls and agency policies and procedures
- Documented and retained



When in doubt, consult your GMS or Project Officer.



Key Takeaways



- **Proper Management Drives Success:** Effective grants management maximizes resources, ensures accountability, and significantly mitigates the risk of audit findings.
- **Know Your Rules:** Always refer to the governing documents: 2 CFR 200, 2 CFR 300, the HHS Grants Policy Statement, and your specific Notice of Award (NoA).
- **Pass the Three Tests:** Every cost charged to a federal grant must be Allowable, Reasonable, and Allocable.
- **Navigate Nuances Carefully:** Understand the specific rules for high-risk cost areas (like travel, meals, and incentives) to avoid common compliance pitfalls.
- **Documentation is Everything:** Unsupported costs will be disallowed. Remember the golden rule: "If it's not documented, it didn't happen."
- **When in Doubt, Ask:** Before spending funds on a questionable cost, always consult your Grants Management Specialist or Project Officer for clarification.

Questions?



Resources

- Tip Sheet (A Guide for Developing Effective Financial Management Practices)
https://www.hrsa.gov/sites/default/files/hrsa/grants/manage/tip-sheet-unallowable-costs_0.pdf
- HHS Grants Policy Statement
<https://www.hhs.gov/sites/default/files/hhs-grants-policy-statement-oct-2025.pdf>
- 2 CFR Part 200
<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#>
- 2 CFR Part 300
<https://www.ecfr.gov/current/title-2/subtitle-B/chapter-III/part-300>
- HRSA Manage Your Grant
<https://www.hrsa.gov/grants/manage-your-grant>



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