



HRSA
Healthy
Grants
WORKSHOP
Presented as a Web Series

HRSA
Health Resources & Services Administration

Allowability of Costs

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- Abdul Adardour, Auditor, Division of Financial Integrity (DFI)**
- Yolanda Stringfellow, Auditor, DFI**
- Karen Lake, Auditor, DFI**

Vision: Healthy Communities, Healthy People



Overview - Topics

- Importance of Proper Grants Management
- Overview of Compliance Requirements
- Determining the Eligibility of Costs
- Examples of Allowable and Unallowable Costs
- Scenarios
- Maintaining Supporting Documentation
- Common Findings to Avoid
- Questions and Answers (Q&A)



Poll Question

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

- A. Less than 1 year
- B. 1 to 3 years
- C. 3 to 5 years
- D. More than 5 years



Importance of Proper Grants Management



Importance of Proper Grants Management

- **Maximizing Resources:**
 - Grant awards can have significant amounts of funds
 - Proper management of costs ensures every dollar is used effectively and efficiently. Costs are allowable and adequately documented
- **Meeting the Compliance Standards: Grants come with strict compliance requirements**
 - ✓ 2 Code of Federal Regulations (CFR) Part 300
 - ✓ HHS Grants Policy Statement (HHS GPS)
 - ✓ Program-Specific Requirements



Importance of Proper Grants Management – Cont'd

- **Enhances Accountability**
 - Fosters Transparency
 - Builds trust with stakeholders (HRSA, beneficiaries, community)
 - Promotes accountability in resource allocation and project implementation
- **Achieves Program Objectives**
 - Funding is tied to program objectives
 - Proper management aligns these activities with the grant objectives. This increases the likelihood of success and impact of the program.



Overview of the Compliance Requirements



Statutory, Regulatory, and Policy Requirements

Available Resources for Proper Financial Management of your Grant:

- 2 Code of Federal Regulations (CFR) Part 300
- HHS Grants Policy Statement (HHS GPS)
- Program-Specific Requirements



2 Code of Federal Regulations (CFR) 200(e)

⦿ Subpart E—Cost Principles

⦿ GENERAL PROVISIONS

⦿ § 200.400 Policy guide.

The application of these cost principles is based on the fundamental premises that:

- (a) The recipient and subrecipient are responsible for the efficient and effective administration of the Federal award through sound management practices.
- (b) The recipient and subrecipient are responsible for administering Federal funds in a manner consistent with Federal statutes, regulations, and the terms and conditions of the Federal award.
- (c) The recipient and subrecipient, in recognition of their unique combination of staff, facilities, and experience, are responsible for employing organization and management techniques necessary to ensure the proper and efficient administration of the Federal award.
- (d) The accounting practices of the recipient and subrecipient must be consistent with these cost principles and support the accumulation of costs as required by these cost principles, including maintaining adequate documentation to support costs charged to the Federal award.



HHS Grants Policy Statement (HHS GPS)

HHS Grants Policy Statement



Program-Specific Requirements

Terms and conditions

- Can be found in your Notice of Award
- Are specific to the program being funded
- Identifies specific costs as being unallowable
- Recipients should:
 - ✓ Understand the terms and conditions to avoid unallowable costs
 - ✓ Discuss the terms and conditions with your Grants Management Specialist and Project Officer



Allowable Costs Defined



Principles for Determining Eligibility of Costs

Allowable – 2 CFR 200.403	Reasonable – 2 CFR 200.404	Allocable – 2 CFR 200.405
<p>Program legislation, grant or other regulations, and the specific terms and conditions of the award determine whether federal funds can be used to cover a particular cost.</p>	<p>A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.</p>	<p>A cost is allocable to federal award if the goods or services are chargeable or assignable to that federal award.</p>
<p>Based on the items noted, can federal funds be used to cover the particular cost?</p>	<p>Would you, as a reasonable person, be willing to spend the amount of money on the requested item?</p>	<p>Does this cost either directly or indirectly benefit the federal program, or is it necessary for the overall operations of the entity?</p>



Allowable Costs – 2 CFR 200.403

- a) Necessary and reasonable
- b) Conform to limitations or exclusions in cost principles or award
- c) Consistent with organizational policies for federal vs. non-fed funds
- d) Consistent allocation
- e) GAAP compliant
- f) Not used in cost-sharing on another federally financed program
- g) Adequately documented



Reasonable Costs – 2 CFR 200.404

- a) Ordinary and necessary for the entity's operation or for the proper and efficient performance of the award
- b) Restraints imposed
- c) Comparable to market prices
- d) Align with prudent person test
- e) Not significantly deviates from the entity's established practices and policies

Allocable Costs – 2 CFR 200.405

The Cost is allocable if:

- a) Incurred specifically for the federal award
- b) Benefits both the federal award and other work of the non-federal entity and can be distributed in proportions that may be approximated using reasonable methods
- c) Is necessary to the overall operation of the non-federal entity and is assignable in part to the federal award



Knowledge Check #1

To be allowable under federal awards, costs must be ...

- a) Nice, necessary, and needed
- b) Documented, allocable, and reasonable
- c) Wanted and needed
- d) All the above



Knowledge Check #1 – Answer

The correct answer is B.

To be allowable under federal awards, costs must be documented, allocable, and reasonable.



Examples of Allowable/Unallowable Costs



Examples of Unallowable Costs

CFR Ref	Unallowable Cost
2 CFR 200.423	Alcoholic beverages
2 CFR 200.424	Alumni/ae activities
2 CFR 200.426	Bad debts
2 CFR 200.434	Contributions and donations
2 CFR 200.438	Entertainment costs
2 CFR 200.441	Fines, penalties, damages and other settlements
2 CFR 200.444	General costs of government
2 CFR 200.445	Goods or services for personal use
2 CFR 200.446	Idle facilities and idle capacity
2 CFR 200.450	Lobbying
2 CFR 200.451	Losses on other awards or contracts
2 CFR 200.455	Organization costs
2 CFR 200.467	Selling and marketing costs

Knowledge Check #2

Alcoholic beverages can be purchased with grant funds.

- True
- False



Knowledge Check #2 – Answer

The correct answer is False.
Alcoholic beverages cannot
be purchased with grant
funds.



Selected Cost Items – 2 CFR 200.420 - 476

- Advertising and public relations
- Compensation costs
- Incentives
- Meals
- Travel



Advertising and Public Relations – 2 CFR 200.421

Promotional items and advertising

- Only allowable for costs specifically required by the federal award
- Unallowable costs include:



Costs of advertising and public relations designed solely to promote the non-federal entity



Costs of promotional items, including models, gifts, and souvenirs



Costs of displays demonstrations, and exhibits

Compensation Salaries and Wages – 2 CFR 200.430

Compensation costs are allowable if:

- a) Reasonable for the services rendered and consistently applied to both federal and non-federal activities;
- b) Follows non-federal entity's hiring guidelines; and
- c) Is adequately supported and documented for allowable activities.



Compensation Salaries and Wages – Cont'd

Personnel/labor charges



Allowed to charge grants for actual labor only

- Charging budgeted labor is unallowable
 - ✓ Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed
 - ✓ Reconciliation between budget and actual
- Time and Effort Reporting -- Personnel Activity Reports
- **2024 Executive Level II Salary Cap - \$221,900**



Knowledge Check #3

Name	Role	Time and Effort	Annual Base Salary
Rob Smith	MD	60%	\$325,500

What amount of Dr. Smith's salary can be charged to the federal award?

- a) \$325,500
- b) \$133,140
- c) \$195,300
- d) \$221,900



Knowledge Check #3 – Answer

Name	Role	Time and Effort	Annual Base Salary
Rob Smith	MD	60%	\$325,500

The correct answer is B, and here's why:

- 2024 Federal Salary Cap: \$221,900
- Prorated Cap: $\$221,900 * 0.6 = \mathbf{\$133,140}$



Incentives

Per HHS Grants Policy Statement

- Incentive payments to volunteers or patients participating in a grant-supported project or program are allowable, unless specifically disallowed by the grant
- Incentive payments to individuals to motivate them to take advantage of grant-supported health care or other services are allowable if within the scope of an approved project



Meals – 2 CFR 200.432

Generally unallowable except for the following:

- Subjects and patients under study
- Where specifically approved as part of the project or program activity, e.g., in programs providing children's services
- When an organization customarily provides meals to employees working beyond the normal workday, as a part of a formal compensation arrangement
- As part of a per diem or subsistence allowance provided in conjunction with allowable travel
- Under a conference grant, when meals are a necessary and integral part of a conference, provided that meal costs are not duplicated in participants per diem or subsistence allowances

Travel – 2 CFR 200.475

Costs are allowable if:

1. Participation of the individual is necessary to the Federal award
2. The costs are reasonable and consistent with the non-Federal entity's established travel policy
3. Costs are adequately supported:
 - a) Date and place of the travel
 - b) Purpose of the trip
 - c) Name of the person on the trip
 - d) Travel approval forms



Allowable and Unallowable Costs Scenarios



Advertising



Scenario 1: Advertising

Scenario:

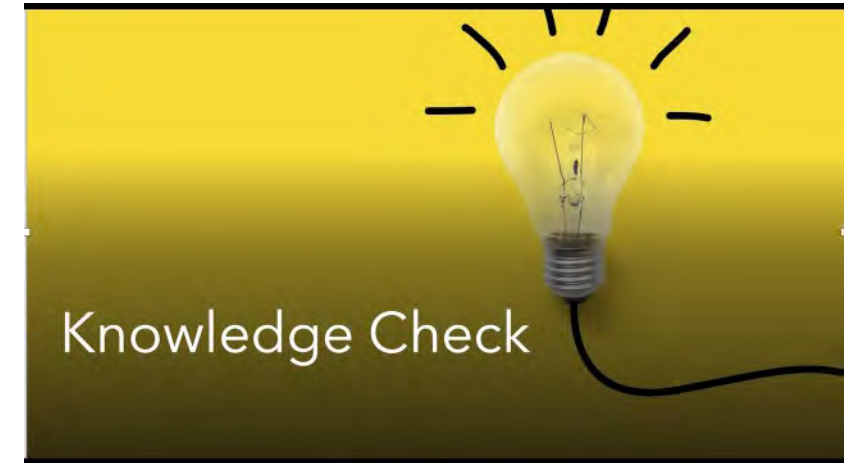
- Grant recipient has been awarded funds to provide maternal health care services to at-risk women
- Allowed to conduct outreach to recruit the women for health care services
- TV ads for targeted communities would be the most effective method of reaching the women
- Used funds to purchase T-shirts and baseball caps with your organization's name and logo on them



Knowledge Check #4

Based on the preceding facts, are these costs allowable, unallowable, or both?

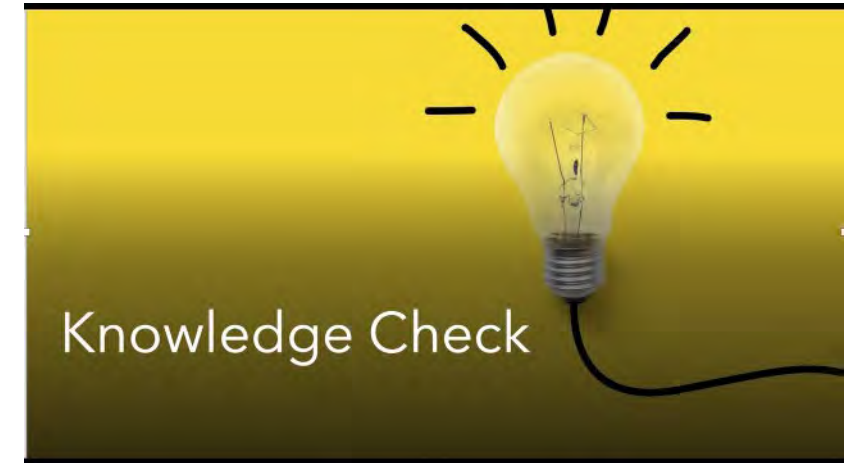
- A. Allowable
- B. Unallowable
- C. Both allowable and unallowable



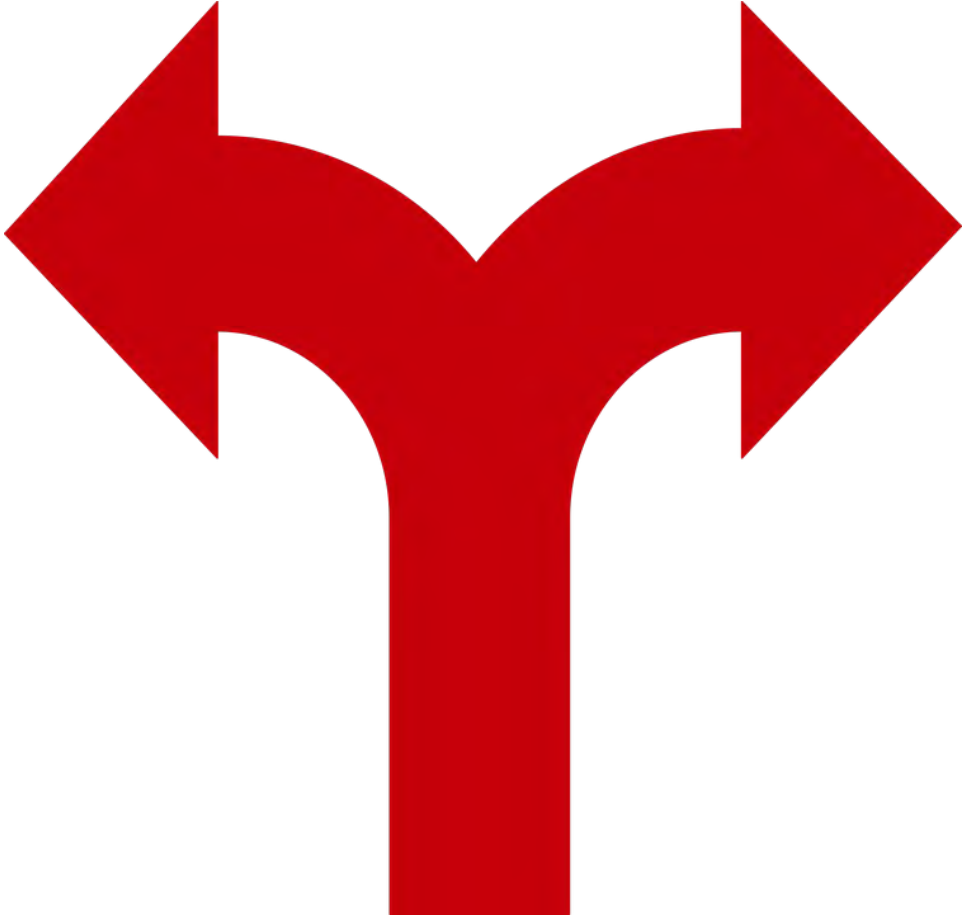
Knowledge Check #4 - Answer

The correct answer is C.

The costs are both allowable and unallowable.



Allocability



Scenario 2: Allocability

Scenario:

- Grant recipient has been awarded two grants
- One is to provide maternal health care services to at-risk women and the other award is to provide services for the homeless
- Jorge budgets 70% of his time on the maternal health care services grant and 30% on the homeless grant
- Jorge spends 50% of his time on maternal health care services grant, 50% on non-federal work, and did not work on the homeless grant
- The organization charges 70% of Jorge's time to the maternal health care services grant and 30% on the homeless grant



Knowledge Check #5

Based on the preceding facts,
what is the correct percentage of
Jorge's time that can be charged
to all grants?

- A. 70%
- B. 50%



Knowledge Check #5 - Answer

The correct answer is B.

50% is the correct percentage of Jorge's time that can be charged to all grants.



Travel



Scenario 3: Travel

Scenario:

- Grant recipient has been awarded a mental health grant
- The grant allows for travel for training conferences for mental health professionals
- The grant recipient sends three psychiatrists and two counselors to a conference in Miami
- The five employees fly business class and stay at the Ritz-Carlton hotel (Economy and lower priced hotels were available)
- Upon return the five travelers do not provide receipts for either the airfare or hotel charges



Knowledge Check #6

Based on the preceding facts, are these costs allowable?

- A. Yes
- B. No



Knowledge Check #6 - Answer

The correct answer is B.
Based on the preceding facts,
these costs are not allowable.



Meals and Entertainment



Scenario 4: Meals and Entertainment

Scenario:

- The grant recipient has been awarded a grant to promote and teach healthy eating habits for at-risk children and families
- The grant allows for the purchase of healthy foods for teaching and promoting healthy eating habits
- The grant recipient purchases formula, vegetables, fruits, chips, soda, and candy using 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 #7

Based on the preceding facts, are the meals and football tickets costs allowable?

- A. Yes
- B. No
- C. Yes and No



Knowledge Check #7 - Answer

The correct answer is C, Yes and No.



Unsupported Costs



Scenario 5: Unsupported Costs

Scenario:

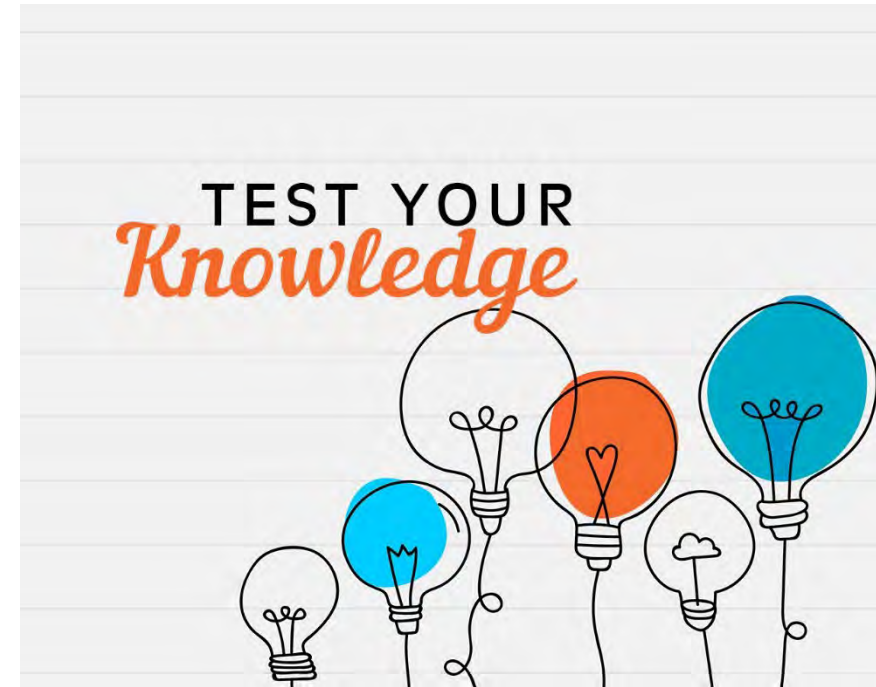
- The grant recipient has been awarded a Health Center Program Grant
- The recipient budgeted \$200,000 for approved medical equipment
- The recipient ordered and received medical equipment totaling \$150,000
- The recipient charged the entire \$150,000 of the equipment received to the grant
- The recipient is selected for a grant review
- Supporting documentation provided for the \$150,000 included purchase orders for \$75,000 of equipment



Knowledge Check #8

Based on the preceding facts, how much of the \$150,000 charged to the award is allowable and adequately supported?

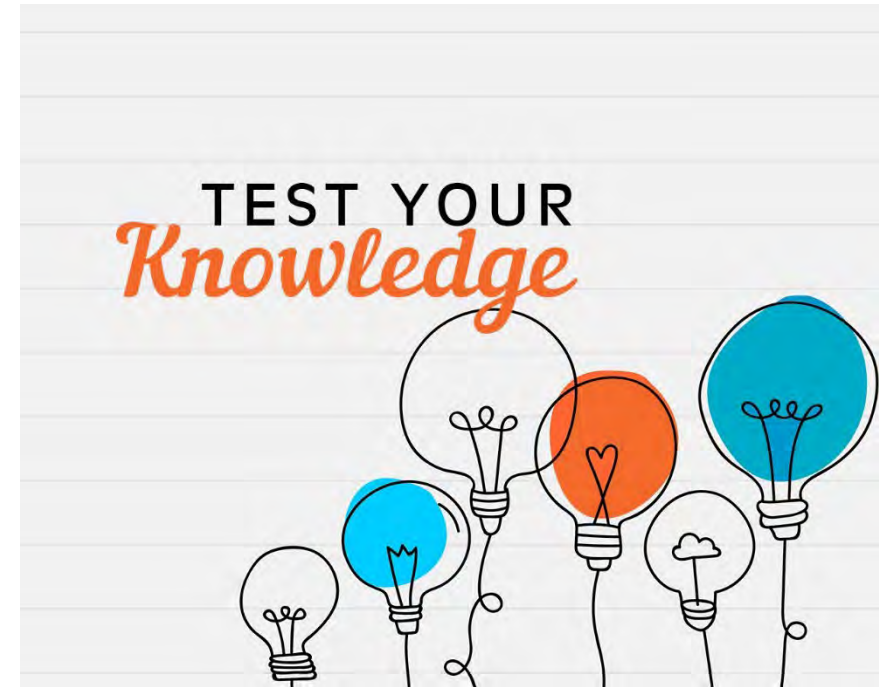
- A. \$75,000
- B. \$200,000
- C. \$0
- D. \$150,000



Knowledge Check #8 - Answer

The correct answer is C.

Based on the preceding facts, \$0 is allowable and adequately supported.



Maintain Supporting Documentation

Remember: If it's not documented, it does not exist!



How to Document Federal Expenditures

Adequately documented:

- Separate Tracking of Federal Expenditures
 - Chart of Account
 - General Ledger
- Types of Documentation
- Record Retention Period



Documentation to Maintain

Adequate supporting documentation includes:

- Timesheets, payroll records
- Invoices/PO, checks/bank statement/credit card statement
- Sub-recipient agreements or contracts (signed and dated), agreement detailing the nature and scope of the services, including rate; supports that it is necessary to the grant
- Claimed costs are supported by General Ledger (GL) – Traceable to GL
- Dates on invoices and receipts should fall within the grant period
- Connection to the budget (cost center, fund type code) – In general ledger
- Costs should support only items listed in the approved grant budget
- Detailed travel logs, travel approval



Record Retention – 2 CFR 200.334

Records include financial records, supporting documents, statistical records, and all records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report (Federal Financial Report - FFR) (including sub-recipient records)

To be safe – 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 rights of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the federal award, to make audits, examinations, excerpts, and transcripts.



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

Maintaining Supporting Documentation

Areas Crucial To Your Grants Financial Health

Tip Sheet for HRSA Grantees

Each Year, 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. Here are some tips to help recipients avoid misspending 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.
- Track your actual use of HRSA funds and reconcile that with your approved plan. Reconciling frequently, quarterly, or even monthly, will help you identify 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 help prevent issues of 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.

Common Reasons for unallowable costs:

- Not adequately documents (the most frequent!)
- Not compliant
- Not reasonable
- Not related to the HRSA Grant

Maintaining Supporting Documentation – Cont'd

Areas Crucial To Your Grants Financial Health

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 they are not charged to the HRSA grant.

Fix problems

- Good planning and internal controls help you provide reasonable assurance that you are following the regulations and terms of each federal award received.
- You must have effective internal controls, 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 action taken.
- 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 and Resources

- Want more information on managing your HRSA grants? Check out the [Manage Your Grant webpage](#).
- For more information related to financial management, refer to [Title 2, part 300 of the Code of Federal Regulations](#), the [HHS Grants Policy Statement](#), and your Notice of Award terms and conditions.

Common Findings to Avoid



Avoid Common Findings

Some good practices are:

- Maintaining an accounting system that can track and report costs by specific grant
- Periodically monitoring incurred costs to budgets
- Ensuring costs expended do not exceed total budgeted amounts
- Maintaining strong written policies and procedures and review them often
- Maintaining and retaining adequate supporting documentation
- Having robust internal controls



Resources

- [HRSA Manage Your Grant](#)
- [HHS Grants Policy and Regulation](#) (includes HHS Grant Policy Statement)
- [2 CFR 300](#)
- [HRSA Electronic Handbooks](#)
- [2024 Executive Level II Salary Cap](#)
- [Tip Sheet](#) (A guide for developing financial management practices)



Questions?



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