

Determining Allowability of Costs

The checklist is for guidance only and does not replace federal, state or local policy.

No.	Regulation Citations	Regulation Summary	Component	Guiding Questions	Are the regulation requirements addressed? Y or N
1.	200.302(7)	Written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of 2 CFR 200		Procedures define: a. Who performs the procedure b. What steps are performed c. When the steps are performed d. How it is performed	
2.	200.402 & 200.406	The total cost of a Federal award includes allowable direct and allocable indirect costs less any applicable credit	Applicable Credits	a. Does the non-Federal entity ensure that they apply applicable credits to Federal awards as either a cost reduction or cash refund, as appropriate?	

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3.	200.403(a), 200.404, 200.405	Be necessary and reasonable for the performance of the Federal award and be allocable	Necessary	a. Does the non-Federal entity ensure that goods or services are essential for the overall operation of the non-Federal entity to carry-out the objectives and goals of the award?	
			Reasonable	<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.” Consideration must be given to a-e.</p> <ul style="list-style-type: none"> a. Is the cost considered ordinary or necessary? b. Did the proper application of sound business practices; arm’s length bargaining; federal, state, local laws and regulations; and terms & conditions of the Federal award occur? c. Are the market prices in line with comparable goods and services for the geographic area? d. Did the individuals involved in the decision-making of the goods and services exercise prudence in ensuring the best interests of the agency, employees, recipients, public and federal government were served? e. Were policies and procedures followed to ensure significant deviations didn’t occur which could result in an increase cost to the Federal award? 	
			Allocable	<p>“A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.”</p> <ul style="list-style-type: none"> a. Is the cost incurred specifically for the Federal award OR if the cost benefits the Federal award and other work of the non-federal entity, can the cost be distributed in proportions that may be approximated using a reasonable method that ensures relative benefit? b. Is it necessary and assignable to the Federal award in accordance with subpart 2 CFR 200? c. Do all activities which benefit from the non-Federal entity’s indirect cost, including 	

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				<p>unallowable activities and donated services by the non-Federal entity or third parties, receive an appropriate allocation of indirect costs?</p> <p>d. Does the non-Federal entity ensure that charges are not allocated to other Federal awards to overcome fund deficiencies? (This would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards.</p>	
4.	200.403(b)	Conform to any limitations or exclusions	2 CFR 200 & Program Guidelines	a. Does the cost conform to any limitations or exclusions in 2 CFR 200 subpart E and in the terms and conditions of the award?	
5.	200.403(c)	Be consistent with policies and procedures	Consistent Application of Policies and Procedures	a. Does the non-Federal entity ensure that policies and procedures apply uniformly to both federally financed and other non-federal financed activities?	
6.	200.403(d)	Be accorded consistent treatment	Consistent Treatment of Costs	<p>“A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.”</p> <p>a. Does the non-Federal entity ensure that consistency exists in assigning costs as a direct cost vs. an indirect cost in like circumstances?</p>	
7.	200.403(e)	In accordance with GAAP, with exceptions	GAAP	a. Does the non-Federal entity ensure that they adhere to generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in 2 CFR 200?	

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8.	200.403(f)	Not included as a cost used to meet cost sharing or match requirements	Match/Cost Sharing	a. Does the non-Federal entity ensure that the cost is not used to meet cost sharing or matching requirements of any other federally financed program in either a current or a prior period unless the specific federal program authorizes the federal costs to be treated as such? See also 2 CFR 200.306.	
9.	200.403(g)	Be adequately documented	Documentation	a. Does the non-Federal entity properly document and maintain all expenditures which includes source documentation that provides clear well-maintained records of expenditures that can be verified? See also 2 CFR 200.300 thru 200.309-Standards for Financial and Program Management	