Oklahoma Department of Emergency Management

Job Aid: Determining the Allowability of Costs

Federal Grant Cost Allowability Under 2 CFR Part 200 and FEMA Requirements

Reference Tool for Program Managers, Grant Managers, Budget Analysts, Finance Staff, Accounts Payable Staff

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Purpose

To provide a standardized process for reviewing and approving costs charged to Federal awards to ensure they are allowable, allocable, reasonable, necessary, properly documented, and compliant with the Uniform Guidance (2 CFR Part 200, Subpart E) and the terms and conditions of the Federal award.

Who Uses This Job Aid?

- Program Managers
- Grant Managers
- Budget Analysts
- Finance Staff
- Accounts Payable Staff
- Approving Officials

Primary Regulatory Authority:

2 CFR Part 200 — Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The primary regulatory framework for all Federal grant recipients and subrecipients.

2 CFR §200.403 — Factors Affecting Allowability of Costs. Establishes the eight criteria a cost must meet to be charged to a Federal award.

2 CFR §200.404 — Reasonable Costs. Defines the prudent person standard for cost reasonableness determinations.

2 CFR §200.405 — Allocable Costs. Defines allocability and proportional benefit requirements.

2 CFR §§200.420–200.476 — Selected Items of Cost. Provides explicit allowability determinations for specific cost types (e.g., advertising, compensation, depreciation, entertainment, equipment, travel).

2 CFR §§200.317–200.327 — Procurement Standards. Establishes Federal procurement requirements applicable to recipients and subrecipients, including competition requirements and contract type limitations.

2 CFR §200.308 — Revision of Budget and Program Plans (Prior Approvals). Specifies when recipients must seek prior approval for budget and program plan changes.

2 CFR §200.306 — Cost Sharing or Matching. Establishes requirements for match contributions, including the prohibition on double-counting costs across Federal awards.

FEMA Grant Programs Directorate Policy FP 205-081-2 — Procurement Under Grants. FEMA-specific policy implementing 2 CFR §§200.317–200.327 procurement standards for FEMA grant programs.

Applicable FEMA Program-Specific Notice of Funding Opportunity (NOFO) and Program Guidance — Each FEMA program (BRIC, HMGP, NSGP, EMPG, BSIR, etc.) issues a program-specific NOFO that may impose additional restrictions or requirements supplementing the Uniform Guidance.

Federal award terms and conditions

Organizational procurement and financial policies

Allowability Review Process

Step 1. Identify the Funding Source

☐ Confirm the Federal award number and funding source.

☐ Verify the period of performance.

☐ Confirm the cost is eligible and being charged to the correct grant, project, or cost objective.

If NO → Stop. Cost is not allowable.

Step 2. Determine Whether the Cost Is Necessary

Ask:

☐ Is this cost required to carry out the scope of work of the award?

☐ Would the program still function without this expense?

☐ Verify the cost narrative or budget justification supports this expenditure.

☐ Confirm the expenditure falls within the approved budget scope and line items.

☐ Is there a documented programmatic purpose?

If NO → Stop. Cost is not allowable.

Red Flag: Costs beyond approved scope, costs exceeding fair market value, or costs with no documented justification.

Step 3. Determine Whether the Cost Is Reasonable

Consider whether:

☐ Would a reasonable, prudent person pay this amount under the same circumstances?

☐ The quantity purchased is appropriate.

☐ Competitive pricing or procurement requirements were followed.

☐ The purchase is free from conflicts of interest.

Examples of supporting documentation:

- Quotes
- Price comparisons / Independent Cost Estimate
- Procurement records
- Market research

If NO → Stop. Cost is not allowable.

Step 4. Determine Whether the Cost Is Allocable to the Award

Verify that the expense:

☐ Benefits the Federal award.

☐ Is charged in proportion to the benefit received.

☐ Is not assigned entirely to one award when multiple programs benefit.

If shared among programs:

☐ Allocation methodology is documented. If a cost benefits multiple programs or awards, a written cost allocation plan must be used to distribute costs proportionally.

Examples:

- Square footage
- Full-Time Employees
- Usage logs
- Time distribution
- Number of participants

If NO → Stop. Cost is not allowable.

Step 5. Confirm the Cost Is Allowable Under Uniform Guidance

☐ Review applicable sections of 2 CFR Part 200 Subpart E.

Examples include:

- Compensation
- Travel
- Equipment
- Supplies
- Professional services
- Participant support (if applicable)
- Indirect costs

Verify the cost is **not** specifically identified as unallowable.

If NO → Stop. Cost is not allowable.

Step 6. Review Authorization and Program Specific Award Requirements

☐ Is this type of cost explicitly allowed under the award agreement, applicable FEMA Program Guide, or 2 CFR Part 200 Subpart E?

☐ Review the Notice of Award (NOA) and all attached special conditions.

☐ Review FEMA Program-Specific Requirements and the applicable Notice of Funding Opportunity (NOFO).

☐ Consult the Selected Items of Cost (2 CFR §§200.420–200.476) for explicit allowability determinations for specific cost types.

Confirm the award does not:

- Prohibit the cost
- Require prior written approval

- Impose spending caps
- Restrict timing of purchases

Documents to Review:

- Notice of Award
- Approved Budget
- Agency regulations
- Pass-through entity requirements

If NO → Stop. Cost is not allowable.

Red Flag: Costs explicitly listed as unallowable — including entertainment, lobbying, bad debts, fines and penalties, and fundraising costs.

Step 7. Verify Budget Availability

☐ Funds remain available.

☐ Expense fits within approved budget categories.

☐ Required budget modifications have been approved.

☐ Proper time extensions have been requested and approved

If NO → Stop. Cost is not allowable.

Red Flag: Charging a cost as direct for a FEMA award but as indirect for other grants without clear, documented justification in writing.

Step 8. Verify Supporting Documentation

☐ Can this organization produce sufficient documentation to support this cost if selected for audit by the Federal awarding agency, OIG, or GAO?

- Ensure documentation includes:
- Invoices, receipts, and purchase orders
- Signed contract, subcontract, or agreement
- Employee timesheets or time distribution records
- Written cost justifications and budget narratives
- Proof of payment (cancelled checks, bank statements, EFT records)
- Competitive procurement records or sole-source justification
- Prior approval letters / documentation
- Receiving documentation
- Business purpose
- Allocation support (if shared)

If NO → Stop. Cost is not allowable.

Red Flag: Missing documentation, verbal-only approvals, incomplete or unsigned timesheets, absent procurement records, or no written cost justification on file.

Step 9. Obtain Required Approvals

Required approvals may include:

☐ Supervisor

☐ Program Manager

☐ Grant Manager

☐ Finance Office

☐ Procurement

☐ Executive Approval (if applicable)

Step 10. Record Retention

☐ Maintain documentation according to organizational policy and Federal record retention requirements.

Documentation should allow an independent reviewer or auditor to determine:

- Why the cost was incurred
- Who approved it
- How the amount was determined
- Why it was charged to the Federal award

Allowability Checklist

	Question	Yes	No
1	Confirm the Federal award number and funding source.	❑	❑
2	Verify the period of performance.	❑	❑
3	Confirm the cost is eligible and being charged to the correct grant, project, or cost objective.	❑	❑
4	Is this cost required to carry out the scope of work of the award?	❑	❑
5	Would the program still function without this expense?	❑	❑
6	Verify the cost narrative or budget justification supports this expenditure.	❑	❑
7	Confirm the expenditure falls within the approved budget scope and line items.	❑	❑
8	Is there a documented programmatic purpose?	❑	❑
9	Would a reasonable, prudent person pay this amount under the same circumstances?	❑	❑
10	The quantity purchased is appropriate.	❑	❑
11	Competitive pricing or procurement requirements were followed.	❑	❑
12	The purchase is free from conflicts of interest.	❑	❑
13	Benefits the Federal award.	❑	❑
14	Is charged in proportion to the benefit received.	❑	❑
15	Is not assigned entirely to one award when multiple programs benefit.	❑	❑
16	Review applicable sections of 2 CFR Part 200 Subpart E.	❑	❑
17	Is this type of cost explicitly allowed under the award agreement, applicable FEMA Program Guide, or 2 CFR Part 200 Subpart E?	❑	❑
18	Review the Notice of Award (NOA) and all attached special conditions.	❑	❑
19	Review FEMA Program-Specific Requirements and the applicable Notice of Funding Opportunity (NOFO).	❑	❑
20	Consult the Selected Items of Cost (2 CFR §§200.420–200.476) for explicit allowability determinations for specific cost types.	❑	❑
21	Funds remain available.	❑	❑
22	Expense fits within approved budget categories.	❑	❑
23	Required budget modifications have been approved.	❑	❑
24	Proper time extensions have been requested and approved	❑	❑

25	Can this organization produce sufficient documentation to support this cost if selected for audit by the Federal awarding agency, OIG, or GAO?	❑	❑

If every answer is YES, the cost may be charged to the Federal award.

If any answer is NO, do not charge the cost until the issue is resolved.

Red Flags

- Purchases made near the end of the award period
- Split purchases to avoid procurement thresholds
- Missing receipts or invoices
- Unbudgeted equipment purchases
- Entertainment or meal expenses
- Duplicate charges
- Personal purchases
- Costs benefiting multiple funding sources without an allocation method
- Expenses requiring prior approval that lack written approval

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