Allowable vs Unallowable Expenditures on Federal Grants

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All Expenses must be:

- Allowable
- Allocable
- Reasonable

- PI responsible party for monitoring ALL expenditures on grant
Allowable according to both the Federal and Agency Guidelines - (Read your awards)

Never Allowed:
• Alcohol
• Entertainment (generally, no meals when not on travel unless specific business conducted)
• General administrative equipment/supplies
• Sales Tax (except when unavoidable)
• Donations/Lobbying/Fines/Interest

Be prepared to justify every expenditure
Allocable

• “Expenses should be charged to a grant in realistic proportion to the benefit provided.” NOT dependent on where funds are available.
• When allocating among several sources, come up with a justification for a percentage based allocation and be consistent.
• Do not: direct charge plane ticket to one grant and hotel to another.
• Prudent person rule

• Never 1st or Business Class travel or anything other than the cheapest you could reasonably find

• How would it look on the evening news?
The Fly America Act requires that foreign air travel funded with Federal dollars be performed on U.S. flag air carriers, unless one has a good reason not to. This applies to ALL foreign travel funded.

- Code share airline flights ok but you must book through the U.S. partner airlines. Follow the $$ -> the idea is to keep the funds in the U.S.
- There are few exceptions to this rule so, please ASK before purchasing a ticket and warn all others traveling on your grant funds about this rule before they purchase tickets.
- This is the only case where the ‘prudent person’ rule doesn’t work. Fly America trumps a lower cost on a foreign air carrier.
Avoid Cost Transfers

* Should never be used to ‘juggle’ funds
* Make every effort to classify cost correctly initially
* 90 Day Rule – NIH has very strict guidelines about cost transfers – most schools have policies that hold all federal grants to that same standard
* Justify, Justify, Justify – explain why the cost was not put in the correct place initially and why the change is being made. Add additional justification if over 90 days
* Avoid in the last 90 day period of a grant and the appearance of trying to ‘spend down’
Federal guidelines require that you follow the more stringent of either federal guidelines OR your institutional policies.

MHC Purchasing Policy:  
https://www.mtholyoke.edu/purchasing/purchasing-policy

MHC Travel Policy:  
https://www.mtholyoke.edu/financial/travel_reimb
Personnel on Grants

* All Personnel on grants need to have their effort certified by the PI to confirm that charges on federal grants are reflective of effort being paid for – MHC effort policy

* Grant paid time should not be used for writing proposals

* Some agencies have restrictions → NSF 2 months rule

* Leave benefits paid, as defined by MHC policy, are allowable expenses on grants. Think ahead so this gets handled appropriately at the end of a grant for any employees who may be getting terminated.
Define the primary purpose of including students:

Training student = Participant Support vs Research = Payroll

Be aware of implications of budgeting one way or the other. Once budgeted as Participant Support, these funds cannot be transferred to another expense. No fringe or indirect is captured. Decision about what type of work they will do is made when the proposal is submitted.

From super-circular: Costs of scholarships, fellowships, and other programs of student aid at IHEs are allowable only when the purpose of the Federal award is to provide training to selected participants and the charge is approved by the Federal awarding agency.
The following rules of allowability must apply to equipment (New OMB):

* (1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.

* (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of $5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity.
When do you need to officially request a rebudget?

| NSF | • If your scope of work is changing due to the change in budget (not buying that big piece of equipment)  
|     | • If you want to re-budget Participant Support  
|     | • If promised PI effort is decreasing by 25% or more  
|     | • If you are adding a subawardee  
|     | • If your award has other restrictions that impact the budget |
| NIH | • Same as above for NSF +  
<p>|     | • If one single budget category is changing by 25% or more of the total budget |</p>
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<td><strong>NASA</strong></td>
<td>• If your scope of work is changing due to the change in budget (not buying that big piece of equipment)</td>
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<td>• If promised PI effort is decreasing by 25% or more</td>
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<td>• If you are buying unbudgeted equipment over $5k</td>
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<td><strong>Other</strong></td>
<td>• Every agency is different – please ASK!</td>
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Prior approval required for ALL agencies when:

* Change in the scope or the objective of the project or program (even if there is no associated budget revision)
* Change in key person specified in the application or the award
* The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or PI
* The transfer of funds budgeted for participant support costs
* Subawarding, transferring or contracting out of any work under a Federal award. This provision does not apply to the acquisition of supplies, material, equipment or general support services.
* Changes in the amount of approved cost-sharing or matching provided by the non-Federal entity.
Questions????