**Insert Agency Logo & Name**

**Allowable and Unallowable Federal Grant Expenses**

**Quick and Easy-to-Understand Primer**

The following document aims to outline common guidance for allowable and unallowable federal grant award expenses. Simply put, *allowable* expenses ARE capable of reimbursement and *unallowable* expenses ARE NOT eligible for reimbursement through a federal grant.

Please keep in mind that the following guidance is not intended to represent a comprehensive list of all allowable or all unallowable federal grant expenses. The [2CFR part 200 Subpart E](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E), the [Department of Justice Grants Financial Guide,](https://www.ojp.gov/funding/financialguidedoj/overview) the grant solicitation/funding opportunity and the corresponding award documents are the flagship resources and should be consulted in addition to this primer. The most important takeaway is that if you are unsure whether an expense is allowable or not under a federal award, always ask your grant manager before encumbering or expending those funds.

**What is an Allowable Grant Expense?**

An expense is “allowable” under a federal grant program when the expense can be reimbursed under the federal grant. The 2CFR 200 Subpart E includes a description of the criteria for an allowable expense. An allowable cost must:

* Be reasonable, allocable and necessary to carry out the federal project.
* Abide by any limitations or exclusions in the 2CFR and/or in the federal award conditions regarding type or amount of cost items.
* Be consistent with policies and procedures set out by the agency for both federal and non-federal activities.
* Be consistently treated the same. For example, costs must consistently be treated as direct or indirect, not sometimes labelled as direct expenses and others as indirect.
* Be in line with generally accepted accounting principles.
* Not be used for the purposes of meeting a match or cost sharing requirement.
* Be adequately documented.
* Be accrued during the approved budget period.

Allowable expenses must be reasonable, in amount and purpose, must be for a particular federal award and must be necessary for the success of the grant funded project. Of course, allowable expenses also must not be explicitly prohibited under federal grant guidelines and/or state and local laws and regulations.

**What is an Unallowable Grant Expense?**

An expense is “unallowable” under a federal grant program when the expense is not eligible for reimbursement through the grant program. Some commonly unallowable federal grant expenses include:

* Alcoholic beverages.
* Acquiring land.
* Compensating federal employees or paying their travel expenses.
* Lobbying and fundraising.
* Paying for the cost of starting a business, unless prior approval is received.
* Entertainment charges, including social activities (transportation, tickets to movies, etc.), unless tied to a programmatic goal or if prior approval is received.
* Fines and penalties, unless prior approval is received.
* Home office workspace and utilities.
* Costs outside the award period, unless prior approval is received.

In addition to these unallowable expenses, as a result of an executive order, the US Department of Justice, Office of Justice Programs (OJP) outlines prohibited items and controlled expenditures for all OJP grant programs. [A controlled expenditure](https://www.ojp.gov/funding/explore/prohibited-and-controlled-equipment) is an item that is unallowable without express prior authorization from OJP.

Please note that agencies receiving federal funding are still permitted to spend money on items that are unallowable by federal grant standards, but they are not allowed to use federal grant money to do so, nor can they use this money as match funding.

**Test your Knowledge! What is an Allowable Grant Expense?**

1. A program purchases a $10,000 computer to collect data on the number of individuals to which they provide services.
* Unallowable, as the cost of the computer in question does not seem like a reasonable request for the identified purpose.
1. A funded program requests funds to purchase a brand-new building in a downtown city.
* Unallowable. Real estate and construction are not allowable expenses.
1. An 8-hour gun violence prevention training is held for program staff; after the training, a $650 invoice for the trainer’s speaker’s fee is received.
* Allowable, as long as the training is in compliance with all grant requirements, the speaker’s fee and training are included in the approved budget and the cost does not exceed $81.25 per hour.
1. One funded program uses grant funds to pay for a membership to an organization that primarily conducts lobbying activities.
* Unallowable. If a funded program wants to continue paying for a membership to an organization that primarily conducts lobbying, they must do so without using federal grant funds or match funds.
1. A funded program purchased organization-branded coffee mugs to hand out to the organization’s employees as an end-of-the-year gift.
* Unallowable. Trinkets and other small promotional items are typically not allowable.
1. A program wants to use grant dollars to buy pizza and soda for a staff appreciation party.
* Unallowable. According to federal grant rules, food and/or beverages can be eligible for reimbursement as long as the cost is reasonable, related to a work event and not related to amusement and/or social events. In the above example, food is desired for staff appreciation, which would be considered a social purpose and not work-related. Please note that alcohol is NEVER an allowable expense; additionally, when alcohol is present at an event, this is considered a “social event,” so food and non-alcoholic beverages would not be eligible for reimbursement either. To be on the safe side, NEVER encumber or spend money on food and/or beverages without explicit prior approval.