

GRANTS MANAGEMENT GUIDANCE 2015-001

Subject: Factors Affecting Allowability of Costs

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Purpose

The purpose of this document is to provide guidance when applying Factors Affecting Allowability of Grants to a federal grant.

PERIOD OF PERFORMANCE

This document provides detailed information, on the period of performance, for federal awards administered by the Ohio Department of Education and Workforce. Federal guidelines require the Ohio Department of Education and Workforce to assign start and end dates to federal awards, which are known as the “period of performance.” This period outlines the timeframe during which the grantee may incur new obligations for authorized work under the grant, as outlined in [2 CFR §200.1](#). The Department typically assigns a period of performance with start and end dates of July 1 to June 30 for federal awards. The start date, typically July 1, is the grant’s Substantially Approved Date, when grantees can begin to incur obligations against the grant award. The end date, typically June 30, is the last date that a grantee can obligate against the grant award.

According to [45 CFR §75.309](#), a non-federal entity may charge to the federal award only allowable costs incurred during the period of performance and any costs incurred before the Department made the federal award that were authorized by the Department.

While grantees may obligate funds through June 30, grantees must consider the following factors that affect the allowability of costs:

FACTORS AFFECTING ALLOWABILITY OF COSTS

Per [2 CFR §200.403](#), except where otherwise authorized by statute, costs must meet the following criteria to be allowed under Federal awards:

- a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the recipient or subrecipient.

- d) Be accorded consistent treatment. For example, a cost must 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.
- e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for State and local governments and Indian Tribes only, as otherwise provided for in this part.
- f) Not be included as a cost or used to meet cost sharing requirements of any other federally-financed program in either the current or a prior period. See [2 CFR §200.306\(b\)](#).
- g) Be adequately documented. See [2 CFR §200.300](#) through [2 CFR §200.309](#).
- h) Administrative closeout costs may be incurred until the due date of the final report(s). If incurred, these costs must be liquidated prior to the due date of the final report(s) and charged to the final budget period of the award unless otherwise specified by the Federal agency. All other costs must be incurred during the approved budget period. At its discretion, the Federal agency is authorized to waive prior written approvals to carry forward unobligated balances to subsequent budget periods. See [2 CFR §200.308\(g\)\(3\)](#).

Expenses must be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

ALLOCABLE COSTS

According to [2 CFR §200.405](#):

- a) **Allocable costs in general.** A cost is allocable to a Federal award or other cost objective if the cost is assignable to that Federal award or other cost objective in accordance with the relative benefits received. This standard is met if the cost satisfies any of the following criteria:
 - (1) Is incurred specifically for the Federal award;
 - (2) Benefits both the Federal award and other work of the recipient or subrecipient and can be distributed in proportions that may be approximated using reasonable methods; or
 - (3) Is necessary to the overall operation of the recipient or subrecipient and is assignable in part to the Federal award in accordance with these cost principles.
- b) **Allocation of indirect costs.** All activities which benefit from the recipient's or subrecipient's indirect cost, including unallowable activities and donated services by the recipient or subrecipient or third parties, will receive an appropriate allocation of indirect costs.
- c) **Limitation on charging certain allocable costs to other Federal awards.** A cost allocable to a particular Federal award may not be charged to other Federal awards (for example, to overcome fund deficiencies or to avoid restrictions imposed by Federal statutes, regulations, or the terms and conditions of the Federal awards). However, this prohibition would not preclude the recipient or subrecipient from shifting costs that are allowable under two or more Federal awards in accordance with

existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

- d) **Direct cost allocation principles.** If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. However, when those proportions cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c), the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved, when no longer needed for the purpose for which it was originally required. See also [2 CFR §200.310](#) through [2 CFR §200.316](#) and [2 CFR §200.439](#).
- e) **Costs of contracts subject to CAS.** If a contract is subject to CAS, costs must be allocated to that contract according to the Cost Accounting Standards, which take precedence over the allocation provisions in this part.

ALLOWABLE COSTS

Determination of costs allowable under a Federal award is made in accordance with the government-wide cost principles in the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards set forth in [2 CFR §200](#). No costs shall be allowed for the purchase of any object to be included in the collection of a museum, except library, literary, or archival material specifically required for a designated activity under a Federal award under the Act. ([2 CFR §3187.15](#))

The Ohio Department of Education & Workforce provides clear guidelines on the appropriate use of grant funds. Grant funds should only be used to meet bona fide needs arising within the same fiscal year as the grant award. Ordering and receiving goods or services at the end of a grant period of performance may result in unallowable expenses if the Department determines the costs belong in the next fiscal year.

To ensure allowability, the Department recommends that grantees incur obligations with sufficient time for the goods or services to be received and provide benefit during the grant's approved period of performance. The Department recognizes there may be special circumstances where late ordering or receipt of items is necessary and acceptable.

For example, if a grantee needs to order supplies to replenish stock consumed during the current school year, the Department may view this as an acceptable late purchase. In this case, the grantee would need to demonstrate how the supply expenses are properly assignable to the current grant period.

However, if the Department determines an expense belongs in the next fiscal year, the grantee can only charge it to the subsequent year's grant if the expense fits the approved budget and

was obligated during that grant period of availability. The Department applies this guidance consistently across all grants.

Grantees should work closely with the Department to ensure the allowability of their expenses and maintain compliance.

WHEN OBLIGATIONS ARE MADE

A fiscal year's funds should be obligated only to meet a *bona fide* need arising in the fiscal year for which the award was made. Therefore, ordering and receiving goods and services at the end of the grant period may result in an expense being unallowable if it is determined that the expense belongs in the next fiscal year. The Department recommends incurring obligations in sufficient time for goods and services to be received and provide a benefit during the award period of performance.

The following table shows when a State or a subgrantee makes obligations for various kinds of property and services.

If the obligation is for—	The obligation is made—
(a) Acquisition of real or personal property	On the date on which the State or subgrantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the State or subgrantee	When the services are performed.
(c) Personal services by a contractor who is not an employee of the State or subgrantee	On the date on which the State or subgrantee makes a binding written commitment to obtain the services.
(d) Performance of work other than personal services	On the date on which the State or subgrantee makes a binding written commitment to obtain the work.
(e) Public utility services	When the State or subgrantee receives the services.
(f) Travel	When the travel is taken.
(g) Rental of real or personal property	When the State or subgrantee uses the property.
(h) A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR part 200, subpart E	On the first day of the grant or subgrant period of performance.

PURCHASE ORDER

A purchase order does not establish a legal obligation. It is part of the budgetary process to ensure funds are available for a specific purpose before entering into obligations. The actual obligation is not made until the criteria in [2 CFR §200.1](#) and [EDGAR §76.707](#) have been met, such as the recipient incurring a liability through a contract or similar transaction.

The purchase order reserves funds in the budget but does not finalize the obligation. The obligation occurs when the recipient takes the necessary actions to create a legal liability, in accordance with the relevant federal regulations.

QUESTIONS AND ANSWERS

Q: I placed an order for supplies in March, but the items are on backorder and have not been received as of May. The supplies will not substantially benefit from the current grant period. How should I handle this?

A: In this situation, the appropriate course of action is generally to cancel the existing purchase order and supply order and then issue new ones within the next grant period of availability. This ensures the funds are properly aligned with the period in which the supplies will be utilized.

However, the Department will make the final decision on a case-by-case basis, considering the specific circumstances. If the delay is outside of your control and the supplies are still needed for grant activities, an exception may be possible.

If you have any additional questions, please reach out to the Grants Management team at Grants.Management@education.ohio.gov.