

# Allowable Costs Overview

## *Fiscal & Administrative Review Assistance for IDHS Providers*

**Allowable costs are charges incurred by your organization to support the implementation of a grant award. It is critical for your organization to understand the standards for allowability of costs.**

### **Costs must meet the following general criteria to be allowable:**

1. Be necessary and reasonable for your organization to implement the grant award
2. Be allocable to the grant award under the provisions of the applicable cost principles
3. Be consistent with policies and procedures that apply uniformly to grant awards and other activities of your organization
4. Treat direct and indirect costs consistently
5. Be in accordance with generally accepted accounting principles (GAAP)
6. Not used to meet the cost sharing or matching requirements of another grant award
7. Be adequately documented
8. Incurred during the period performance and consistent with the approved award budget

### **Your organization's financial management system must meet the following standards to account for allowable costs:**

1. A system that enables accurate and distinct tracking of transactions for grant awards
2. Facilitates retention of supporting documentation for grant expenditures
3. Employs effective internal controls to avoid non-compliance with statutes and regulations
4. Utilizes budget control over expenditures to reconcile with the approved budget

### **Grantee Reminders**

1. Develop a consistent approach to assess eligibility of costs and cost allocation for grant programs
2. Review your program's specific Notice of Funding Opportunity and Uniform Grant Agreement for Catalog of Federal Domestic Assistance (CFDA) requirements on allowable costs
3. Request prior approval from IDHS if you cannot determine if a cost is allowable