

# Can Audit Costs Be Paid Using Federal Grants?

(What makes them allowable or unallowable?)

## Uniform Guidance says YES!

Costs of audits are allowable if the audits were performed in accordance with the federal Single Audit Act and Uniform Guidance (UG), per 2 CFR 200.425. HOWEVER, there are exceptions - the cost of performance audits and audits not provided in accordance with the Single Audit Act and UG are PRECLUDED from being charged to federal programs and are unallowable.

## But they must be *necessary and reasonable* to the award

While necessary is not specifically defined in UG, a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost, per 2 CFR 200.404.

## ...and allocable to the Federal program.

A cost is allocable to a particular Federal award if the goods or services involved are chargeable or assignable to that Federal award in accordance with relative benefits received. Costs must be incurred specifically for the federal program, benefit both the Federal program and the non-Federal entity, and be necessary to the overall operation of the non-Federal entity & assignable to the Federal program. per 2 CFR 200.405.

## They also must conform to *program limitations* and be *treated consistently*.

Consistency includes consistent treatment between Federal and non-Federal funds activities, as well as if the cost is treated as a direct or indirect cost related to the program.

## Costs can't be included in *more than one* Federal program.

This includes as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.

## Documentation and spending within the award period is *required*.

Adequate documentation is required to be maintained and expenditures must be made during the approved budget period.