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National Institute
of Food and
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**National Institute of Food and Agriculture (NIFA) Federal Assistance
Policy Guide:
Section VI: Allowable Costs
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NIFA Office of Grants and Financial Management

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The contents of this document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

VI. ALLOWABLE COSTS

Cost considerations are critical throughout the life cycle of a grant. Federal cost principles are designed to ensure that the government bears its fair share of the total costs, as determined in accordance with generally accepted accounting principles, and that costs are necessary, reasonable, and used for purposes authorized by statute or regulation. Each RFA contains the legislative authority for the source of funds to be used for grant awards. The authorizing statute contains authorized uses of funds and may also contain unallowable activities or costs. In addition, grantees and NIFA use the Uniform Guidance Cost Principles, 2 CFR part 200, Subpart E, to determine allowable costs for sponsored activities.

Cost principles are based on the fundamental premises that grantees:

- Are responsible for the efficient and effective administration of the Federal award through the application of sound management practices;
- Assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award;
- Have the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award; and
- Are not required to make significant changes in the internal accounting policies and practices. However, the accounting practices of the grantee must be consistent with these cost principles and support the accumulation of costs as required by the principles and must provide for adequate documentation to support costs charged to the Federal award.

When an RFA requires the submission of a budget, applicants must submit a budget proposal with their application for funding. Some modifications that are made after a Notice of Award has been issued will require NIFA's prior approval; these will be specified in the award terms and conditions. Requests for approval must be submitted to NIFA in writing in accordance with the grant terms and conditions. This section details prior approval requirements in the Uniform Guidance and NIFA awards.

During post-award administration of both capacity and competitive awards, including but not limited to desk reviews and onsite compliance reviews, NIFA OGFM staff monitor expenditures for conformance with these cost policies.

This Section addresses the general principles underlying the allowability of costs, differentiates direct costs from indirect costs, and highlights a number of specific costs and categories of cost for NIFA applicants and grantees. It also incorporates specific costs authorized or prohibited under NIFA's major authorizing statutes. It is not intended to be all-inclusive and should be used only as a supplement to the 2 CFR part 200, the applicable cost principles, the grant terms and conditions, and any program-specific legislation or regulations that would further inform the way NIFA funds can be spent. Grantees are responsible for applying the cost principles to determine the allowability of costs and maintaining supporting documentation. Allowability of costs is often highly dependent on the specific nature of the costs, the institutions policies and

procedures, and the authorizing statute and RFA. Therefore, it is not possible for NIFA to provide definitive statements in this Policy Guide on allowability for many costs.

Allowable costs must be reasonable, necessary, and allocable to a NIFA award based on the applicable cost principles, given consistent treatment as non-Federal costs, follow generally accepted accounting principles appropriate to the circumstances, and must conform to any limitations or exclusions established in the cost principles or the award terms and conditions. Allowable costs are either direct or indirect costs. The allowability of costs under NIFA awards also may be governed by requirements specified in the program legislation, regulations, or the specific terms and conditions of the award, which will take precedence over the general provisions in this manual.

Reasonableness, necessity, and allocability apply regardless of treatment as a direct or indirect cost. A cost, even if included in the award budget, may be deemed unallowable during the award if it is not reasonable, necessary, or allocable to the award or does not have the required supporting documentation.

Subrecipients and contractors under grants are subject to the requirements of the cost principles applicable to their type of organization and to any additional requirements imposed by the recipient in order to comply with the terms and conditions of the award.

A. *Factors affecting allowability of costs (2 CFR 200.403) ALL AWARDS*

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both Federally-financed and other activities of the non-Federal entity.
- Be accorded consistent treatment. A cost may 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.
- Be determined in accordance with generally accepted accounting principles (GAAP) as guided by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB), except, for state and local governments and Indian tribes only, as otherwise provided for in 2 CFR 200.
- Not be included 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. See also 2 CFR 200.306 Cost sharing or matching paragraph(b).
- Be adequately documented.
- Be incurred during the approved budget period. See also 2 CFR 200.308(e)(3).

B. Reasonable costs (2 CFR 200.404) ALL AWARDS

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. The question of reasonableness is particularly important when the grantee is predominantly Federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

C. Allocable Costs (2 CFR 200.405) ALL AWARDS

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. A cost that is allocable to a particular grant is not necessarily reasonable. The allocability standard is met if the cost:

- Is incurred specifically for the Federal award;
- Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

All activities which benefit from the non-Federal entity's indirect (Facilities and Administration, or F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude

the non-Federal entity 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.

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. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, 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.

D. Applicable credits ALL AWARDS

Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

E. Prior written approval (Prior Approval) ALL AWARDS

Under any given Federal award, the reasonableness and allocability of certain items of cost may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, the Uniform Guidance requires prior approval for certain costs. Additionally, grantees may seek prior written approval in advance of incurring special or unusual costs. The Uniform Guidance covers prior written approval at 2 CFR 200.407. NIFA identifies prior approval requirements in its award terms and conditions. NIFA may waive certain prior approval requirements or require prior approval. NIFA utilizes the Standard Terms and Conditions for Research Grants for its competitive awards, which waive a number of prior approvals in the Uniform Guidance. The [research terms and conditions](#) contain a matrix of prior approval requirements and waivers. Capacity grant, Facilities grant, and other [grant-specific terms and conditions](#) are available on the NIFA website.

Prior approval means written approval from the NIFA ADO evidencing approval to incur costs prior to awardee financial obligation and expenditure. For competitive awards, items in the approved budget have NIFA prior approval, unless stated otherwise. When any additional NIFA prior approval is required, it will be stated in the award terms and conditions. When requesting NIFA prior approval from the appropriate ADO, the grantee must receive the approval in writing and signed by the appropriate NIFA official prior to implementation.

1. Required prior approvals COMPETITIVE AWARDS

Please see the [research terms and conditions matrix](#) of prior approval requirements and waivers.

2. Equipment CAPACITY AWARDS

NIFA requires capacity grantees to submit prior approval requests for purchases before expenditures are incurred for:

- General purpose equipment costing \$5,000 or more and having a useful life of more than 1 year; and
- Special purpose equipment costing \$250,000 or more and having a useful life of more than 1 year (Prior approval is waived for special purpose equipment costing less than \$250,000).²⁴

Prior approval is requested and approved in writing and includes item name, description/purpose including alignment with the plan of work, estimated or actual cost, and estimated useful life. Requests are specific to an individual grant and required if item meets the definition of equipment, regardless of whether it is being purchased using NIFA dollars, matching funds, or by multiple funding sources.

Grantees can submit prior approval requests via email to capacityequipment@nifa.usda.gov. Requests will be reviewed and responded to within 30 days from receipt of complete information. Approvals will be sent via email to the Authorized Representative submitting the request. Expedited review may be requested.

3. Carryover of Unobligated Balances COMPETITIVE AWARDS

NIFA prior approval may be required for educational institutions and State, local, and Indian tribal governments prior to the carryover of any funds from a prior period to the subsequent period. Statutorily imposed limitations may restrict the automatic carryover of unobligated balances. The Notice of Award, Award terms and conditions, and/or RFA indicate if carryover of unobligated balances is allowed for a specific award. Grantees seeking to carryover unobligated balances to a subsequent period should consult the NIFA ADO or program contact.

If the ADO determines that some or all of the unobligated funds are not necessary to complete the project, the ADO may restrict the grantee's authority to automatically carry over unobligated balances of unexpired funds in the future, use

²⁴ NIFA utilizes the Simplified Acquisition threshold for the amount above which Special Purpose equipment requires prior approval. In July 2018, OMB issues a Memorandum raising the Simplified Acquisition threshold to \$250,000. Therefore, the special purpose equipment threshold is also raised.

the balance to reduce or offset NIFA funding for a subsequent budget period, or use a combination of these actions. The ADO might also indicate whether the balance may be carried forward to a budget period beyond the succeeding one. The terms and conditions included in the Notice of Award will reflect the ADO's decision about the disposition of the reported unobligated balance.

4. Transfer to a different Grantee Organization COMPETITIVE AWARDS

If a grantee organization is transferring the actual performance of the substantive programmatic work or providing financial assistance to another party due to the Project Director changing institutions, NIFA prior approval must be obtained and is subject to an assessment by NIFA of the risk posed by the new (transferee) grantee institution in accordance with 2 CFR 200.206. The requirements of this section do not apply to Capacity grant recipients.

A change of grantee organization may be accomplished under most NIFA grants if NIFA determines that the purpose and scope of the approved grant will not change and the transfer is consistent with Federal appropriations law requirements. A change in grantee organization is the transfer of the legal and administrative responsibility for a grant-supported project or activity from one legal entity to another before the expiration of the approved project period. All of the permanent benefits attributable to the original grant must be transferable, including equipment purchased in whole or in part with grant funds. In reviewing a request to transfer a grant, NIFA will consider whether there is a continued need for the grant-supported project or activity and the impact of any proposed changes in the scope of the project. A change may be made without peer review, provided the PD/PI plans no significant change in research objectives and the facilities and resources at the new organization will allow for successful performance of the project. If these conditions or other programmatic or administrative requirements are not met, NIFA may disapprove the request and, if appropriate, terminate the award.

The original institution must submit a relinquishing letter as well as final technical and financial reports. The proposed new grantee must provide NIFA with a change of institution application with all of the required documents, but not limited to the following:

- SF-424R&R;
- Current and pending support form;
- Budget and budget narrative;
- Assurances;
- Curriculum Vitae and/or updated biographical sketches for the PD/PI and existing senior/key personnel and biographical sketches for any proposed new senior/key personnel;
- Conflict of Interest statements; and
- Progress reports, including a statement indicating whether the overall research plans/aims have changed from the original submission, and, if so, provide updated information;

- Assurances; and
- Detailed list of any equipment purchased with grant funds to be transferred to the new organization (inclusion of this list in the transfer application from the new organization indicates its acceptance of title to that equipment).

NIFA's acceptance of the relinquishing statement from the original recipient does not guarantee approval of a transfer of the application for the remaining project period. Notably, grants to individuals cannot be transferred. Additionally, neither a successor-in-interest nor an organization name change are considered changes in grantee.

5. Change in Grantee Organization Status COMPETITIVE AWARDS

Grantees must give NIFA advance notice of the following types of changes in organizational status:

- **Merger:** Legal action resulting in the unification of two or more legal entities. When such an action involves the transfer of NIFA grants, the procedures for recognizing a successor-in-interest will apply. When the action does not involve the transfer of NIFA grants, the procedures for recognizing a name change normally will apply.
- **Successor-in-Interest (SII):** Process whereby the rights to, and obligations under, NIFA grant(s) are acquired incidental to the transfer of all of the assets of the grantee or the transfer of that part of the assets involved in the performance of the grant(s). An SII may result from legislative or other legal action, such as a merger or other corporate change.
- **Name Change:** Action whereby the name of an organization is changed without otherwise affecting the rights and obligations of that organization as a grantee.

Advance notification is required to ensure the grantee remains capable of meeting all legal and administrative requirements and there is no interruption of payments. Grantees will contact the ADO regarding the nature of the change in organizational status and request guidance on how the change should be treated. NIFA reserves the right to review the material provided, seek clarification or additional information, and make an independent determination. Once a grantee submits a formal request for a change in organizational status, NIFA will determine whether the change impacts the organization's ability to meet the grant program's eligibility requirements and take any necessary action to accommodate the change.

For an SII, a letter signed by the grantee's AR (transferor) and the successor-in-interest's AR (transferee) must be sent to NIFA after consultation with the ADO. The letter must include the following:

- Stipulate that the transfer will be properly carried out in accordance with applicable law;
- Indicate that the transferor relinquishes all rights and interests in all of the affected grants;
- Request that NIFA modify its records to reflect the transferee as the grantee of record;
- State the effective date of the transfer;
- Provide the transferee's EIN. If EIN is new, include completed Form W-9;
- Include verification of the transferee's compliance with applicable requirements (e.g., research misconduct assurance of compliance);
- Include a list of all affected NIFA grants (active and pending) with the following information for each:
 - Complete grant number.
 - Name(s) of PD/PI(s)
 - Current budget period and project period.
 - The total direct costs (as originally recommended) plus applicable indirect costs for each remaining budget period. If the SII will occur during a budget period rather than on the anniversary date, the transferor also must provide estimated levels of current-year direct and indirect costs remaining as of the SII effective date;
- Include a complete SF-424 for each affected grant showing the transferee as the applicant organization. Each SF-424 must be signed by an AR at the transferee organization. A report of all current and pending support for senior/key personnel must also be submitted to NIFA;
- Include a copy of the current negotiated indirect rate agreement for the transferee; and
- Additional items requested by the ADO or grant specialist.

In order to be recognized as the SII, the "new" (transferee) organization must meet each eligibility requirement of the program. Upon review and acceptance of the necessary information, NIFA will revise the Notice of Award(s) to show the transferee as the grantee of record.

For name changes, the grantee's written notification to NIFA must include the effective date of the change. Revised Notices of Award are not required for name changes because name changes are reported and processed with the next award action (e.g., non-competing continuation award).

6. Salaries ALL AWARDS

Salary rates of pay exceeding an Executive Level IV salary range require prior NIFA approval. This rate does not include any fringe benefits, general and administrative (G&A), overhead, or other expenses. If a salary is only partially charged to award,

grantees will need to calculate prorated amount to ensure that the partial charge does not exceed the Executive Level IV rate.

The Executive Level IV salary range will change year to year and is listed at www.opm.gov. Requests for approval must include the salary rate of pay and a justification for the rate and be sent to the ADO to awards@usda.gov.

7. Deviation from the Award Terms and Conditions ALL AWARDS

Any deviations from the award terms and conditions, including the restrictions on the grant imposed in the Notice of Award, require NIFA's prior approval.

8. Requesting NIFA Prior Approval ALL AWARDS

If prior approval is required by the award terms and conditions, requests for prior approval are to be addressed to the ADO at NIFA. Approvals will not be valid unless they are in writing and signed by the ADO or the OGFMD Deputy Director. If the approval request is for the carryover of an unobligated balance, the recipient should make the request when the unobligated balance is known. Failure to make a timely request and obtain the prior approval from NIFA may result in the disallowance of costs, termination of the award, or other enforcement action within NIFA's authority.

Recipients are responsible for reviewing requests from sub-recipients to determine if prior approval is needed and for granting or denying the request. A recipient cannot get approval for any action inconsistent with the purpose or terms of the Federal grant or cooperative agreement. If an action by a sub-recipient will result in a change in the overall grant project or budget requiring approval from NIFA, the recipient must obtain that approval before giving its approval to the sub-recipient. Approvals are not valid unless they are in writing and signed by an authorized official of the recipient organization. NIFA should be contacted to resolve any questions regarding the need for approval.

Requests for prior approval will be reviewed and a decision will generally be made within 30 days of NIFA's receipt of a request for approval or receipt of complete information.

All requests must be submitted by the AR and include the name of the recipient, the name of the initiating PD/PI, the PD/PI's telephone number, fax number, and email address, and comparable identifying information for the authorized organization official. Requests should be submitted electronically. Email requests must be clearly identified as prior approval requests, must reflect the complete grant number in the subject line, and should be sent by or through the authorized organizational representative to the ADO that signed the /Notice of Award.

F. Direct and Indirect Costs ALL AWARDS

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistent in like circumstances as either a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards.

Indirect costs are not allowable under capacity awards. However, it is important for capacity grantees to understand the definition of indirect cost to ensure that no indirect costs are charged to their capacity awards.

1. Direct costs ALL AWARDS

Direct costs are those costs that can be identified specifically with a particular final cost objective (such as a Federal award) or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy (2 CFR 200.413). Costs incurred for the same purpose in like circumstance MUST be treated consistently as either direct or indirect. A cost cannot be considered direct in one period (such as a quarter) but indirect in another. Direct costs typically include, but are not limited to, salaries and related fringe benefits, travel, equipment, program evaluation costs and supplies directly benefiting the grant-supported project or activity. The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging these costs may be appropriate ONLY if all of the following conditions are met:

- Administrative or clerical staff meet all the conditions in 2 CFR 200.413, excluding 200.413(c)(3);
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have prior written approval from NIFA;
- The costs are also not recovered indirect costs; and
- The same staff salaries are also not claimed as indirect costs on other awards.

A direct cost of a minor amount may be treated as an indirect (F&A) cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all Federal and non-Federal cost objectives.

Documentation to support direct charging of such costs are to be included with the application or submitted as a request for prior written approval in accordance with the applicable award terms and conditions. Documentation must be maintained by the grantees for the record retention period and provided to NIFA or other auditors upon request.

2. Indirect Costs and Limitations ALL AWARDS

Indirect costs are those costs incurred for common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. Again, indirect costs are not allowable under capacity awards. However, it is important for capacity grantees to understand the definition of indirect cost to ensure that no indirect costs are charged to their capacity awards.

NIFA considers activities conducted by recipients that result in indirect charges a necessary and appropriate part of NIFA grants. The Federal government's share of indirect costs is reimbursed based on the awardee institution's approved rates, unless a limitation on indirect costs is specified in the statute for a particular program. The RFA's "Funding Restrictions" section (Part IV, D) will specify indirect cost limitations, if any. NIFA also maintains a [list of the indirect cost guidelines](#) for each program on its website. Additionally, NIFA's annual appropriations legislation can limit indirect costs and will be communicated in the annual RFA. The congressionally mandated limit on indirect costs for most agricultural research, education, and extension grant programs is limited to an amount not to exceed 30 percent of the total Federal funds provided under the grant award, including the indirect cost rate charged by sub-awardees, as provided in section 1462 of NARETPA (7 U.S.C. 3310). The annual appropriation acts may impose a different indirect cost rate for funds appropriated that year. Therefore, the recovery of indirect costs for agricultural research, education, and extension programs cannot exceed the lesser of either the institution's negotiated indirect cost rate or the equivalent of 30 percent of the total Federal funds awarded.).

3. Indirect Cost Rates COMPETITIVE AWARDS

All grantees must have an indirect cost rate in place before NIFA will reimburse indirect costs. Indirect cost rates are set by the cognizant agency. The cognizant agency is the agency responsible for negotiating and approving indirect cost rates.

If the ADO determines that a recipient does not have a current effective indirect cost rate, the award may not include an amount for indirect costs. The organization will be referred to the appropriate office for negotiation. Indirect cost proposals must be prepared in accordance with the applicable cost principles and guidance provided by the cognizant agency. Organizations that do not have a current negotiated (including provisional) rate, except for those non-Federal entities described in appendix VII, paragraph D.1.b, may elect the De Minimis rate (2 CFR 200.414). The Uniform Guidance offers the option of electing to charge a de Minimis rate of 10 percent of modified total indirect costs (MTDC) which may be used indefinitely. As described above and in 2 CFR 200.403, costs must be charged consistently as either indirect or direct costs but may not be double charged or charged inconsistently charged as both. If elected, this methodology must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which it may apply to do at any time.

Recipients are responsible for establishing indirect cost rates for sub-recipients. If a subrecipient has Federally-negotiated indirect cost rate, the recipient must honor it. However, the same limits applicable to the recipients' indirect cost recovery also apply to sub-recipients.

Further information concerning the establishment of [indirect cost rates and the reimbursement of indirect costs](#) is available on the NIFA website.

G. *Disallowed Costs ALL AWARDS*

NIFA's review of a grantee's award transactions may result in disallowed costs. A grantee will have an opportunity to provide NIFA with supporting documentation to justify costs disallowed by NIFA. Disallowed costs that could not be supported by the grantee will result in a debt to NIFA which will be communicated to the grantee in accordance with the applicable USDA Debt Management Regulations, 7 CFR Part 3.

H. *Selected Items of Cost – Allowable and Unallowable Costs ALL AWARDS*

Selected items of cost and how they should be treated by recipient organizations are provided in Subpart E of 2 CFR 200 – Cost Principles. Under the selected items of cost, a cost may be allowable, unallowable, or allowable with conditions. Those conditions may include specific documentation requirements, NIFA prior approval, or other requirements. Even if a cost is listed as allowable in the cost principles, it still must meet the reasonable, necessary, and allocable tests, as well as consistently treated, to be determined allowable and charged to the grant. Further, the award terms and conditions contain specific allowable and unallowable costs, as well as any conditions that apply.

Below is a non-comprehensive listing of costs, whether they are allowable and what conditions apply. These costs are taken from NIFA's award terms and conditions as well as the costs in 2 CFR 200 where NIFA sees the most questioned costs. This list is NOT comprehensive, but represents common areas of questions for NIFA. **If an item is not on this list, refer back to 2 CFR 200.**

1. Allowable/Unallowable Costs Matrix ALL AWARDS

Item of Cost	Description Key: A = Allowable U = Unallowable AC= Allowable with Conditions	Competitive	Capacity	Facilities	Notes
Employer Contributions to Retirement Systems	Use of Federal funds for employer contributions to land-grant college retirement systems under capacity awards (currently Smith-Lever, Section 1444, Section 1445, Hatch Act, and AHDR) are limited to 5 percent of that portion of the salaries paid, under the award, to employees who participate in the employer-sponsored retirement system (7 U.S.C. 331). Note that the 5 percent limitation does NOT apply to any State or individual contribution. Contributions of funds under this award may not exceed the contributions from non-Federal sources made by or on behalf of the individual concerned.	N/A	AC	N/A	Up to 5% of salaries paid to employees who participate in the system Applicability of 5% cap to RREA, McIntire Stennis and EFNEP is under legal review. The guide will be updated as soon as the review is complete.
Entertainment	Costs of entertainment, including amusement, diversion, and social activities and any associated costs.	U	U	U	
Equipment	Equipment means tangible personal property (including information technology systems) having a useful life of more than 1 year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. Equipment can be defined as general purpose (2 CFR 200.1) or Special Purpose (2 CFR 200.1).	AC	AC		Prior approval required for capacity grantees for general purpose equipment costing more than \$5000 and special purpose equipment costing more than \$250,000. Competitive grantees follow the research terms and conditions which waive prior approval for certain items. Check the research terms and conditions for details.
Fixed Equipment and acquisition	The purchase or installation of fixed equipment or for the planning, repair, rehabilitation, acquisition, or construction of a building or facility.	U/A	A/U	A	Competitive awards: unallowable for grants under certain funding

Item of Cost	Description Key: A = Allowable U = Unallowable AC= Allowable with Conditions	Competitive	Capacity	Facilities	Notes
or construction of Real Property					authorities: check the RFA and award terms and conditions. Capacity awards: Refer to specific capacity program authorization for allowability
Incentives	Cash or cash value items (i.e. gift cards) provided to individuals to incentivize behavior.	U	U (except EFNEP)	U	For nearly all NIFA programs, incentive payments are unallowable as they do not benefit the award. The exception is EFNEP, which programmatically allows incentives – please refer to the EFNEP manual .
Indirect Costs	Statutory language may limit or prohibit the amount of allowable indirect costs. When indirect costs are limited, the indirect costs allowable will be the lesser of the following amounts: (1) the Federally approved negotiated indirect cost rate and base, or (2) the limit identified in the statutory language. Any limitation or prohibition of indirect costs on the awardee also applies to subcontracts under the funded awards. The use of unrecovered indirect costs for cost sharing or matching purposes is subject to any applicable statutory language limiting or prohibiting indirect costs.	AC	U	U	A listing of program specific indirect cost guidance can be found at on the NIFA website .
Lobbying	Any actions designed to influence the obtaining of grants or influence or give special consideration to action on an award or regulatory matter.	U	U	U	
Meals/Food	Business meals may not be charged as project costs when individuals decide to go to breakfast, lunch, or dinner together when no need exists for continuity of a meeting. Such activity is considered to be an entertainment cost. On the other hand,	AC	AC	U	See support and documentation section below

Item of Cost	Description Key: A = Allowable U = Unallowable AC= Allowable with Conditions	Competitive	Capacity	Facilities	Notes
	meals that are part of the costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable as are costs of transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. Note: Meals consumed while in official travel status do not fall in this category. They are considered to be per diem expenses and should be reimbursed in accordance with the organization's established travel policies subject to statutory limitations.				These provisions does not include food for EFNEP demonstrations, which is a programmatic cost.
Memberships	Costs membership in or of subscriptions to business, technical, and professional organizations or periodicals.	A	A	AC	There needs to be a direct benefit of this cost to the research award.
Memberships	Costs of membership in organization whose primary purpose is lobbying.	U	U	U	
Personal Injuries	Grant funds cannot be used for compensation for injuries to persons or loss, theft, or damage to property during project activities.	U	U	U	
Pre-award costs	Costs incurred prior to the effective date of the Federal award directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work.	AC (90 days pre-award)	U	AC (90 days pre-award)	As outlined in 2 CFR 200.458, pre-award costs prior to the effective date of the award are allowable only with the written approval of the USDA awarding agency. See Pre-award Costs section under IX. Allowable Costs. As outlined in 2 CFR 200.308 (e)(1), all costs incurred before the USDA awarding agency makes the award are at the risk of the recipient. The USDA awarding agency is

Item of Cost	Description Key: A = Allowable U = Unallowable AC= Allowable with Conditions	Competitive	Capacity	Facilities	Notes
					not required to reimburse costs if for any reason the: (1) award is not made; (2) award is less than anticipated; or (3) award is inadequate to cover such costs. If charged to the award, these costs must be charged to the initial budget period of the award, unless otherwise specified by NIFA.
Promotional items	Items to give away: Conference giveaways; t-shirts; bags, pens, pencils, etc.	U	U	U	
Renovation or refurbishment of research spaces	Renovation or refurbishment of laboratories or other research spaces	U	AC	A	
Salaries	Salaries and fringe benefits paid to individuals who work on the grant project.	AC	AC		See support and documentation section below
Social Security (Old Age Survivors Insurance), and other Faculty and Staff Benefits	Funds under capacity awards may be used to pay employer contributions toward old age and survivors insurance on that portion of the salary paid under this award to any employee subject to the Federal Insurance Contributions Act (FICA). For capacity awards, these employer contributions may be in addition to the 5 percent limitation for employer contributions to retirement systems pursuant to 7 U.S.C. 331 (if applicable). Award funds for the employer contributions for other faculty and staff benefits are authorized in accordance with 2 CFR 200.431.	A	A	A	

Travel (Domestic)	Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business.	AC	AC	U	See support and documentation section below.
Travel - Foreign/ International	Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business. Foreign travel includes any travel outside of North American and/or U.S. Possessions. Domestic travel includes Canada, Mexico, and U.S. Possessions.	AC	AC	U	Reference 2 CFR 200.474. See support and documentation section below
Telecommunications and video surveillance costs	Costs incurred for telecommunications and video surveillance services or equipment such as phones, internet, video surveillance, cloud servers are allowable except for the following circumstances: Obligating or expending covered telecommunications and video surveillance services or equipment or services as described in §200.216 to: (1) Procure or obtain, extend or renew a contract to procure or obtain; (2) Enter into a contract (or extend or renew a contract) to procure; or (3) Obtain the equipment, services, or systems.	X	X	X	Reference §200.471

Item of Cost	Description Key: A = Allowable U = Unallowable AC= Allowable with Conditions	Competitive	Capacity	Facilities	Notes
Tuition Remission	Reimbursing college or university of tuition costs of students with NIFA award dollars or charging student tuition costs to the NIFA award.	AC/U	U	U	For competitive programs, check the RFA as to whether tuition reimbursement is allowable and what conditions apply.
T-shirts, Clothes	For staff or participants. May be so personnel can be identified as working on the project or as give aways/promotion of the program.	U	U	U	Considered Promotional items – prohibited under 2 CFR 200.421(e)(3).
Uniforms and safety equipment	Must be necessary for performance of activities under the award.	AC	AC	U	<p>Allowable uniforms include protective gear for special circumstances, such as working with hazardous chemicals</p> <ul style="list-style-type: none"> ○ Respirators ○ Special gloves ○ Lab coats <p>Unallowable are matching shirts so personnel can be identified as working on the project</p>

2. Support and documentation for specific items of cost ALL AWARDS

a. Capacity grant limitation on retirement contribution **CAPACITY AWARDS**

The applicability of the 5 percent retirement cap to capacity programs listed in section 251(f)(1) of the Department of Agriculture Reorganization Act of 1994, 7 U.S.C. 6971(f)(1) will depend on final appropriations act language. The authority to pay for the retirement of land-grant college employees is found in 7 U.S.C. 331. Section 331 applies to Acts supplementary to the First Morrill Act and to programs authorized under authorities that specifically provide for the application of section 331. Therefore, the 5 percent retirement cap applies to Smith-Lever, Smith Lever special needs, DC PERA, Hatch, 1890 Extension, 1890 Research, and Animal Health grants. This includes these grants in Puerto Rico, US Virgin Islands, Guam, American Samoa, Northern Marianas, and Micronesia. The retirement cap does NOT apply to the following programs: McIntire-Stennis, 1890 Facilities, RREA, EFNEP, and Tribal College Endowment.

b. Food/Meals as part of conferences/meetings **ALL AWARDS**

When considering the allowability of meals or food as part of a meeting or conference, it is important to use the basic consideration in the cost principles. Questions to ask include:

- Is food necessary for continuity to achieve goals? In general, NIFA does not consider breakfast, dinner, or receptions as allowable as they are not typically necessary for continuity of the meeting. However, there are exceptions depending on the meeting agenda and whether it supports the continuity justification.
- Is the food/meal a reasonable cost?
- Is it 100 percent allocable to the award? The meeting or conference agenda can be used to demonstrate allocability.

Costs must be consistent with institution policies and procedures and supported with documentation to demonstrate the above considerations.

c. Travel **ALL AWARDS**

Travel is defined in 2 CFR 200.475 as expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business. Travel costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the grantee's non-Federally-funded activities and in accordance with grantee's written travel reimbursement policies.

i. Capacity Grants

- a) Domestic travel: For Smith-Lever, Hatch Act, Section 1444 and 1445, McIntire-Stennis, and ADHR, travel for meetings and conference, including programmatic and administrative/fiscal conferences that benefit the award and are necessary to accomplishing the goals of the

award are allowable using capacity funds so long as the costs are reasonable and consistent with the institution's travel policy. This includes insular area travel to conferences/trainings that are directly related to the grant, benefit the grant, and are allocated in proportion to staff appointment, if appropriate.

- b) Hatch Multistate: Travel to multistate research meetings is allowable so long as it is in support of program objectives and in accordance with institution policies and procedures. Travel to other conferences/trainings is not permitted.
- c) Foreign/International: Foreign travel includes any travel outside of North America and/or U.S. Possessions. Domestic travel includes Canada, Mexico, and U.S. Possessions. NIFA recognizes the global importance of agriculture and the important of international exchange of scientific information. All foreign travel must be reviewed to ensure it supports the grant/program/approved project. Supporting documentation as to the allowability of the foreign travel and approval for the travel is required. Travel costs must be consistent with the recipient's institution travel policy and typically include airfare, lodging, per diem, and conference registration fees.

NIFA deems foreign/international travel to be an important part of several capacity programs, however prior approval of foreign travel is required. For Hatch and Evans-Allen Research programs, prior approval is delegated to the Experiment Station Director or Section 1445 Director. For extension programs (Smith-Lever and Section 1444), prior approval of foreign travel is delegated to the Extension Director or Section 1444 Administrator.

For the Hatch Act and Section 1445 programs, funds may be used to support foreign travel that will benefit the research progress or report results of the Hatch project on which the scientist is working. Research costs associated with foreign travel, such as collection, preparation and shipping of samples, and data sharing, are also allowable. Travel costs must be allocated if travel does not 100 percent benefit the Hatch/Evans-Allen funded project.

For Smith-Lever and Section 1444 extension programs, funds may be used to support foreign travel for purposes that will benefit the extension program. Extension costs associated with foreign travel, such as collaboration with nations that are creating university-based extension within their agricultural universities that provide mutual benefit to the US LGU and their foreign collaborator and attending conferences where the U.S. Cooperative Extension System is a partner with foreign agricultural universities in developing university-based Extension at foreign

universities. Travel costs must be allocated if travel does not 100 percent benefit the extension program.

For McIntire-Stennis, RREA, EFNEP, and ADHR, prior approval from NIFA is required. (Note: Since the purpose of EFNEP is domestic, it is unlikely international travel will be approved.) Foreign travel for these programs is not prohibited, but is not common and has a higher risk of disallowed costs, therefore prior approval from NIFA ensures costs are allowable before the funds are expended.

For questions on the use of other capacity program funds for foreign travel, or other foreign travel related expenses, please consult the appropriate NIFA National Program Leader.

- ii. Competitive grants
 - a) Domestic travel is typically allowable under the program and allowability of travel will be specified in the RFA. Travel must be necessary to accomplishing the goals of the grant and consistent with the provisions in 2 CFR 200.475.
 - b) Foreign/International travel is allowable without prior approval, and may be specifically authorized in the RFA and included in the approved budget. Foreign/international travel must be necessary to accomplishing the goals of the grant and consistent with the provisions in 2 CFR 200.475.

- d. Salaries/Time and Effort Reporting **ALL AWARDS**

NIFA grant recipients who direct charge faculty or staff salaries (including students and post docs) to NIFA awards, or use faculty or staff salaries to meet matching requirements, must follow internal controls, cost allocation, and documentation requirements under the Uniform Guidance, 2 CFR 200.430 Compensation – personal services. NIFA has created a [fact sheet](#) that reviews the Uniform Guidance requirements and NIFA expectations when conducting site reviews.