

# Common Grantee Questions about Specific Purchases

Updated: August 15, 2022

ACL grantees must be familiar with what expenditures are allowable and reasonable per 45 CFR Part 75 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards and administrative guidance in the HHS Grants Policy Statement. The HHS Grants Policy Statement can be found at <https://acl.gov/grants/managing-grant> under “Terms and Conditions.” Additional 45 CFR Part 75 details can be found in the Electronic Code of Federal Regulations at <https://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75>

This guide is intended to provide information on specific expenses as a supplement to 45 CFR 75 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards, the [HHS Grants Policy Statement](#), and the award Terms and Conditions. The costs discussed below otherwise adhere to the Basic Considerations in [45 CFR 75, Subpart E](#).

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## Can grant funds be used to pay for food or meals?

Grantees may purchase food for team members (volunteers and paid staff) at training events or as part of a per diem or subsistence allowance provided in conjunction with allowable travel. It is unallowable to purchase food for the public. This includes candy used as incentive for participation in education and outreach events or other forums.

### Citations:

#### ACL Terms & Conditions

A Government Accountability Office (GAO) report has raised considerable concerns about grantees and contractors charging the Federal Government for additional meals outside of the standard allowance for travel subsistence known as per diem expenses. Executive Orders on Promoting Efficient Spending (E.O. 13589) and Delivering Efficient, Effective and Accountable

Government (E.O. 13576) have been issued and instruct Federal agencies to promote efficient spending. Therefore, if meals are to be charged in your proposal, applicants should understand such costs must meet the following criteria outlined in the Executive Orders and HHS Grants Policy Statement (Exhibit 4. Selected Items of Cost, Meals, page II-36 and II-96):

Meals are generally unallowable except for the following:

- For subjects and patients under study (usually a research program);
- Where specifically approved as part of the project or program activity, e.g., in programs providing children's services (e.g. Head Start);
- When an organization customarily provides meals to employees working beyond the normal workday, as a part of a formal compensation arrangement,
- As part of a per diem or subsistence allowance provided in conjunction with allowable travel; and
- Under a conference grant, when meals are necessary and integral part of a conference, provided that meal costs are not duplicated in participants' per diem or subsistence allowances. (Note: conference grant means the sole purpose of the award is to hold a conference.)

#### 45 CFR 75.432 Conferences

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose **primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award.** **Allowable conference costs paid by the non-Federal entity as a sponsor or host of the conference may include** rental of facilities, speakers' fees, **costs of meals and refreshments**, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable. Conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.

### Are volunteer travel costs allowable expenses?

Volunteer travel costs are allowable as long as they are consistent with the travel guidelines for all paid team members.

#### **Citations:**

#### 45 CFR 75.474 Travel Costs

- (a) *General.* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such 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 non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel

reimbursement policies. Notwithstanding the provisions of §75.444, travel costs of officials covered by that section are allowable with the prior written approval of the Federal awarding agency or pass-through entity when they are specifically related to the Federal award.

(b) *Lodging and subsistence.* Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charged directly to the Federal award documentation must justify that:

- (1) Participation of the individual is necessary to the Federal award; and
- (2) The costs are reasonable and consistent with non-Federal entity's established travel policy.

#### HHS Grants Policy Statement

On page II-42 - Exhibit 4. Selected Items of Cost

Travel - Allowable as a direct cost where such travel will provide direct benefit to the project or program

### Can we provide incentives for beneficiaries to participate in educational events?

Gift cards or other small dollar incentives are allowable as long as it is for participation in an educational event that's consistent with the grant program. Remember small cash benefits or gift cards cannot be used for unallowable costs such as alcohol, tobacco, or entertainment.

#### **Citation:**

HHS Grants Policy Statement, page II-34, "Incentive Costs"

Incentive payments to volunteers or patients participating in a grant-supported project or program are allowable. Incentive payments to individuals to motivate them to take advantage of grant-supported health care or other services are allowable if within the scope of an approved project.

### Can my agency purchase outreach items?

Outreach items are allowable so long as the items are applicable to the purpose of the grant, the cost is reasonable, and the items are purchased with enough time to use them during the grant award period. The grantee must be able to provide this rationale. Examples of items that are tied to the grant program and are often reasonably priced, include but are not limited to: hand sanitizer, tote bags, pens, pencils, all-purpose clip, masks, magnets, magnifiers, letter openers, or pill containers. All outreach items should include program information and the national program logo.

#### **Citations:**

#### 45 CFR 75.404 Reasonable cost

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 non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- (a) 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.
- (b) 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.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) 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.
- (e) 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.

#### 45 CFR 75.421 Advertising and Public Relations

- (b) The only allowable advertising costs are those which are solely for:
  - (1) The recruitment of personnel required by the non-Federal entity for performance of a Federal award (See also §75.463);
  - (2) The procurement of goods and services for the performance of a Federal award;
  - (3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when non-Federal entities are reimbursed for disposal costs at a predetermined amount; or
  - (4) Program outreach and other specific purposes necessary to meet the requirements of the Federal award.
- (c) The term "public relations" includes community relations and means those activities dedicated to maintaining the image of the non-Federal entity or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.
- (d) The only allowable public relations costs are:
  - (1) Costs specifically required by the Federal award;
  - (2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award (these costs are considered necessary as part of the outreach effort for the Federal award); or

- (3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.
- (e) Unallowable advertising and public relations costs include the following:
  - (1) All advertising and public relations costs other than as specified in paragraphs (b) and (d) of this section;
  - (2) Costs of meetings, conventions, convocations, or other events related to other activities of the entity (see also §75.432), including:
    - i. Costs of displays, demonstrations, and exhibits;
    - ii. Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and
    - iii. Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
  - (3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;
  - (4) Costs of advertising and public relations designed solely to promote the non-Federal entity.

#### HHS Grants Policy Statement

On page II-25, “The Cost Principles”

Reasonableness (including necessity). A cost is reasonable if, in its nature or 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 cost principles elaborate on this concept and address considerations such as whether the cost is of a type generally necessary for the organization’s operations or the grant’s performance, whether the recipient complied with its established organizational policies in incurring the cost or charge, and whether the individuals responsible for the expenditure acted with due prudence in carrying out their responsibilities to the Federal government and the public at large as well as to the organization.

On page B-8, “Appendix B: Glossary”

Reasonable cost - A cost whose nature or amount does not exceed that which would be incurred by a prudent person under the circumstances prevailing when the decision was made to incur the cost.

### Can I purchase shirts for my team members with the program logo?

Yes. You may purchase shirts for team members to wear at outreach events as part of a uniform. Team uniforms are related to costs for outreach and follow the same rules as outreach items. Outreach items are allowable so long as the items are applicable to the purpose of the grant, the cost is reasonable, and the items are purchased with enough time to use them during the grant award period. The grantee must be able to provide this rationale. All outreach items should include program information and the national program logo.

#### **Citations:**

#### 45 CFR 75.404 Reasonable cost

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 non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- (a) 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.
- (b) 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.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) 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.
- (e) 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.

#### 45 CFR 75.421 Advertising and Public Relations

- (b) The only allowable advertising costs are those which are solely for:
  - (5) The recruitment of personnel required by the non-Federal entity for performance of a Federal award (See also §75.463);
  - (6) The procurement of goods and services for the performance of a Federal award;
  - (7) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when non-Federal entities are reimbursed for disposal costs at a predetermined amount; or
  - (8) Program outreach and other specific purposes necessary to meet the requirements of the Federal award.
- (f) The term “public relations” includes community relations and means those activities dedicated to maintaining the image of the non-Federal entity or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.
- (g) The only allowable public relations costs are:
  - (1) Costs specifically required by the Federal award;
  - (2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award (these costs are considered necessary as part of the outreach effort for the Federal award); or
  - (3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication

and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.

- (h) Unallowable advertising and public relations costs include the following:
- (1) All advertising and public relations costs other than as specified in paragraphs (b) and (d) of this section;
  - (2) Costs of meetings, conventions, convocations, or other events related to other activities of the entity (see also §75.432), including:
    - iv. Costs of displays, demonstrations, and exhibits;
    - v. Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and
    - vi. Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
  - (3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;
  - (4) Costs of advertising and public relations designed solely to promote the non-Federal entity.

#### HHS Grants Policy Statement

On page II-25, “The Cost Principles”

Reasonableness (including necessity). A cost is reasonable if, in its nature or 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 cost principles elaborate on this concept and address considerations such as whether the cost is of a type generally necessary for the organization’s operations or the grant’s performance, whether the recipient complied with its established organizational policies in incurring the cost or charge, and whether the individuals responsible for the expenditure acted with due prudence in carrying out their responsibilities to the Federal government and the public at large as well as to the organization.

On page B-8, “Appendix B: Glossary”

Reasonable cost - A cost whose nature or amount does not exceed that which would be incurred by a prudent person under the circumstances prevailing when the decision was made to incur the cost.

On page II-37, “Public Relations Costs”

Allowable only for costs specifically required by the award or for costs of communicating with the public and the press about specific activities or accomplishments under the grant-supported activity or other appropriate matters of public concern. Such costs may be treated as direct costs but should be treated as indirect costs if they benefit more than one sponsored agreement or if they benefit the grant and other work of the organization.

## Can my agency lease or buy a vehicle with grant funds?

Typically, the rental or lease of a vehicle may be more cost-effective than purchase for SHIP, MIPPA, and SMP grant funds. Vehicle rental/lease and purchase are reviewed and approved on a case-by-case basis.

The purchase of motor vehicles for this purpose also may be allowable. However, for vehicles and other high-value equipment, recipients should consider the most cost-effective procurement method, which may be rental/lease instead of purchase (45 CFR §75.327d).

For vehicles and other high-value equipment, applicants/recipients should consider the cost benefits of rental/lease versus purchase (45 CFR §75.327 – General procurement standards).

Prior written approval is required for vehicles and other capital expenditures (45 CFR §75.439).

**Citations:**

§ 75.327(d-e) General procurement standards.

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

(e) To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal Government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.

45 CFR 75.2 Definitions, 45 CFR 75.439 Equipment and other capital expenditures

General purpose equipment means equipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles. See also Equipment and Special Purpose Equipment.

(b) The following rules of allowability must apply to equipment and other capital expenditures:

- (1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the HHS awarding agency or pass-through entity.
- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the HHS awarding agency or pass-through entity.
- (3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the HHS awarding agency, or pass-through entity. See §75.436 for rules on the allowability of depreciation on buildings, capital improvements, and equipment. See also §75.465.
- (4) When approved as a direct charge pursuant to paragraphs (b)(1) through (3) of this section, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the HHS awarding agency.



- (5) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the Federal cognizant agency for indirect cost.
- (6) Cost of equipment disposal. If the non-Federal entity is instructed by the HHS awarding agency to otherwise dispose of or transfer the equipment the costs of such disposal or transfer are allowable.
- (7) Equipment and other capital expenditures are unallowable as indirect costs. See §75.436.

## How do I account for salaries if my agency receives multiple federal grants?

One federal grant cannot pay for work done under another federal grant. Team members who work on multiple federal grant projects must charge their time based on the work performed. For example, if a team member spends their time as follows 35% SMP, 50% SHIP, 5% MIPPA Priority 1, 5% MIPPA Priority 2, and 5% MIPPA Priority 3, then they must charge the appropriate grant the same percentage for their salary. In rare cases, the Grants Management Officer may grant an exemption to this rule, but the grantee must justify how they meet all of the conditions in the grants policy statement (see HHS Grants Policy Statement Page II-44 below).

### **Citation:**

#### 45 CFR 75.405 Allocable costs

- (a) 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. This standard is met if the cost:
  - (1) Is incurred specifically for the Federal award;
  - (2) 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
  - (3) 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.
- (b) All activities which benefit from the non-Federal entity's indirect (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.
- (c) 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.
- (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. 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, notwithstanding paragraph (c) of this section, 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 §§75.317 through 75.323 and 75.439.

(e) If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

### HHS Grants Policy Statement

On page II-44, "Allocation of Costs"

When salaries or other activities are supported by two or more sources, issues arise as to how the direct costs should be allocated among the sources of support. In general, a cost that benefits two or more projects or activities in proportions that can be determined without undue effort or cost should be allocated to the projects on the basis of the proportional benefit.

A cost that benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved may be allocated or transferred to the benefiting projects on any reasonable basis as long as the costs charged are allowable, allocable, and reasonable under the applicable cost principles and the recipient's financial management system includes adequate internal controls. Costs may be assigned entirely to one project, with written prior approval from the GMO, under the following conditions only:

- The projects are scientifically and technically related.
- The projects are under the direction of the same PI/PD.
- The projects have been funded by the same OPDIV or OPDIV component.
- There is no change in the scope of the individual grants involved.
- The relating of costs will not be detrimental to the conduct of work approved under each individual award.
- The relatedness will not be used to circumvent the terms and conditions of an individual award.

## Can I purchase incentive items for volunteers and staff?

Items to incentivize volunteers and staff are allowable in limited circumstances. The cost must be reasonable and not otherwise prohibited. The grantee must be able to provide this rationale. Outreach items may be used as incentive items, provided that the item meets the factors above in "[Can my agency purchase outreach items?](#)".

Honoraria are unallowable when the primary intent is to confer distinction on, or to symbolize respect, esteem, or admiration for, the recipient of the honorarium.

**Citation:**

45 CFR 75.430 Incentives

(f) Incentive compensation. Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the non-Federal entity and the employees before the services were rendered, or pursuant to an established plan followed by the non-Federal entity so consistently as to imply, in effect, an agreement to make such payment. Consistently treated for all employees.