

Grants Management Guidance 2015-001

SUBJECT: Factors Affecting Allowability of Costs
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Federal guidelines require the Ohio Department of Education to assign start and end dates to federal awards. These assigned dates are known as the “period of performance” and outline the time during which the grantee may incur new obligations for authorized work under the grant (See Uniform Guidance 200.77). The Department has assigned start and end dates of July 1 to June 30 to federal awards.* The start date, typically July 1, is the grant’s Substantially Approved Date. On this date, grantees can begin to incur obligations** against the grant award. The end date, normally June 30, is the last date that a grantee can obligate against the grant award. Per Uniform Guidance 200.309, 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:

1. **Uniform Guidance 200.403 - Factors affecting allowability of costs:**
 - a. Expenses must be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
2. **Uniform Guidance 200.405 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:
 - i. Is incurred specifically for the Federal award;
 - ii. 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
 - iii. 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.

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’s period of performance.

The Department recognizes that there may be special circumstances where ordering goods and services late in the grant period is necessary and acceptable. Situations where goods and services are ordered and/or received after the school year has ended and/or toward the end of the grant period of performance will be examined by the Department on a case-by-case basis. The grantee must be able to demonstrate why the goods or services are assignable to the grant period being charged. Operating a summer school program with approval from the program office or replenishing stock consumed during the year are examples of acceptable situations.

If the Department determines that the expense belongs in the next fiscal year, the expense can only be moved to the next year’s grant if the expense fits within the approved budget and was obligated within the period of availability of the next year’s grant.

This guidance is applicable to federal and state grants issued by the Department.

*Note that these dates may be different for some programs, so be sure to verify the dates in your grant agreement and contact the awarding program office with questions. In addition, to obtain a substantially approved date of July 1, you must submit your application to the Department on or before this date in substantially approvable form. Otherwise, your substantially approved date is the date your application is submitted, unless specified differently in the grant agreement.

**Obligations: When used in connection with a non-federal entity's utilization of funds under a federal award, *obligations* means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-federal entity during the same or a future period ([2 CFR § 200.1](#)).

Note that a purchase order does not set up an obligation. A purchase order is part of the budgetary process to ensure funds are available and encumbered for a specific purpose prior to entering into obligations. The obligation is not made until the criteria described in [2 CFR § 200.1](#) and [EDGAR § 76.707](#) have been met.

§76.707 When obligations are made.

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—Cost Principles | On the first day of the grant or subgrant performance period. |

Frequently Asked Question:

I placed an order for supplies in March and the items are on backorder. It is now May and the items have not been received. How do I handle this situation considering the items will not substantially benefit the current grant period?

The purchase order and the supply order **may** need to be canceled and a new purchase order and supply order may need to be issued/placed within next year's grant period of availability since the supplies will be utilized in the next grant period. However, the Department will make final determinations on a case-by-case basis.

If you have additional questions, please email Grants.Management@education.ohio.gov.