Budget Basics

An Activity Director should always consult the approved budget justification to make sure that the desired request is allowable. Remember the JAR test; justifiable, allowable/allocable and reasonable. Once it is determined that an expense is in line with the approved objectives; the account has been checked fund availability; and the line item has sufficient funds, the Activity Director can then proceed to submit requisitions to expend funds. The following information is a guideline to determining allowable costs:

Examples of Allowable and Unallowable Costs

- **Allowable Costs**
  - Personnel costs in proportion to performance of the scope of work
  - Supplies for the performance of the approved scope of work
  - Equipment for the performance of the approved scope of work
  - Activity related travel
  - Services for the performance of the approved scope of work
  - Institutional memberships to professional organizations related to the approved activity

- **Unallowable Costs**
  - Memberships to social clubs
  - Alcoholic beverages
  - Fines and bribes
  - First class airfare
  - Transportation to and from work base in an institution owned vehicle
  - Entertainment costs (unless documented approval from agency grants office)
- Student Activities
- Institutional marketing
- Promotional items
- Fundraising activities
- Personal items
- Gifts

How do I know what is allowable?

- Appropriate Federal Regulatory Document
  - Educational Institutions: Uniform Guidance 2 CFR 200
  - EDGAR for the U. S. Department of Education

- Normal treatment of expenses
  - State policies and procedures
  - University policies and procedures
  - Prudent person test

**Good way to determine if the expense is allowed is to ask yourself:**

- Would you have this particular expense if you didn’t have this grant?
- Is this expense required to complete the approved objectives?
- Will the purchase of this item benefit my activity?
- Is this a reasonable price?
- If asked, can I justify this purchase to an auditor?

**Good rule of thumb**

- Justify any items that would normally be unallowable or normally treated as an F&A cost
- Provide a brief statement on the requisition regarding the purpose of the expense and how it relates to the approved objectives
- Always check the account to make sure there are sufficient funds in the expense line