
45 C.F.R. § 1630.5

Standards governing allowability of costs under LSC grants or contracts.

(a) *General criteria.* Expenditures are allowable under an LSC grant or contract only if the recipient can demonstrate that the cost was:

- (1) Actually incurred in the performance of the grant or contract and the recipient was liable for payment;
- (2) Reasonable and necessary for the performance of the grant or contract as approved by LSC;
- (3) Allocable to the grant or contract;
- (4) In compliance with the Act, applicable appropriations law, LSC rules, regulations, guidelines, and instructions, the Accounting Guide for LSC Recipients, the terms and conditions of the grant or contract, and other applicable law;
- (5) Consistent with accounting policies and procedures that apply uniformly to both LSC-funded and non-LSC-funded activities;
- (6) Accorded consistent treatment over time;
- (7) Determined in accordance with generally accepted accounting principles; and
- (8) Adequately and contemporaneously documented in business records accessible during normal business hours to LSC management, the Office of Inspector General, the General Accounting Office, and independent auditors or other audit organizations authorized to conduct audits of recipients.

(b) *Reasonable costs.* 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 same or similar circumstances prevailing at the time the decision was made to incur the cost. In determining the reasonableness of a given cost, consideration shall be given to:

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