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## Policy on Allowable and Unallowable Grant Expenses

<b>Policy &amp; Procedure Title:</b> Policy on Allowable and Unallowable Grant Expenses	
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<b>HRC Unit of Origin:</b> Finance	
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### Policy Statement

This policy provides guidance on which costs are allowable and unallowable for reimbursement under grant agreements issued by the San Francisco Human Rights Commission (HRC). It aligns with the City and County of San Francisco’s “Guidelines for Cost Categorization in Nonprofit Contracts and Grants,” Version 2.0 (July 16, 2025), issued by the Controller’s Office, which incorporates the latest federal revisions to the Uniform Guidance (October 2024).

All expenses reimbursed with HRC grant funds must be reasonable, necessary, and clearly aligned with the stated objectives of the funded program. HRC reserves the right to disallow costs that do not meet these standards, are not pre-approved in the grant budget, or are inconsistent with City policy.

### Purpose

To establish consistent standards for determining whether costs submitted by HRC grantees are allowable, ensuring compliance with federal, state, and local rules and enhancing accountability in the use of public funds.

### Scope

This policy applies to:

- All nonprofit organizations receiving grant funds from HRC
- HRC staff involved in reviewing, approving, and monitoring grant expenditures
- Invoices submitted for reimbursement under executed grant agreements

**This policy governs cost allowability only and does not determine whether a cost is eligible or ineligible for reimbursement under a specific contract or grant agreement.**

Eligibility is established through the grant budget and the executed agreement’s Appendix A (Eligible Costs), in alignment with funding source requirements.

The Controller’s Office’s guidance—incorporated as part of this policy—includes information on

indirect cost rates. This content should be understood as **guidance only** and does not constitute formal HRC policy. **All indirect cost applications are governed by the terms of executed grant agreements**, which reflect and supersede the HRC's Indirect Cost Policy. Grantees should refer to their grant agreement as the definitive source of guidance.

## Definitions

- **Allowable Cost:** A cost that is permitted under federal, state, and local guidelines and consistent with the City's cost categorization policies.
- **Unallowable Cost:** A cost explicitly disallowed by policy or contract terms, or deemed unreasonable, excessive, or unrelated to the purpose of the grant.
- **Eligible Expense:** A cost that has been specifically approved in the contract and aligned with funding source rules.
- **Ineligible Expense:** A cost not approved in the contract—even if it might be “allowable” in general—due to fund restrictions or programmatic misalignment.
- **Indirect Cost:** A cost incurred for common administrative functions that cannot be directly linked to a specific program (e.g., general accounting, HR, facilities). Typically recovered through an indirect cost rate.
- **Shared Cost:** A cost that benefits multiple programs or cost centers and can be allocated proportionally using a reasonable, documented methodology (e.g., rent, utilities, shared equipment). Shared costs may be classified as direct costs if allocated properly.
- **De Minimis Rate:** A standard and allowed indirect cost rate when no negotiated rate exists.

## Procedure

### 1. Controller's Guidelines Adoption

HRC formally adopts the City and County of San Francisco's “Guidelines for Cost Categorization in Nonprofit Contracts and Grants, Version 2.0,” as the primary reference for allowable and unallowable costs under all HRC grant agreements.

### 2. Supplemental HRC Guidance

In limited cases, HRC may adopt interpretations that differ from the Controller's guidelines. As of this revision, HRC allows:

- Up to **15% gratuity** on **allowable** food or transportation-related expenses if eligible under the grant agreement. This is consistent with the Controller's policy on tips for City staff (Section 4.7.3).

### Examples:

- If the agreement contemplates program-related meals for youth events, a 15% tip on those meals is allowable.
- If the agreement does not contemplate meals, neither the meals nor the gratuity are reimbursable.

### 3. Contractual Precedence

- **Appendix A** (Definition of Eligible Expenses) of each executed grant agreement

(G-100 or amendment G-150) outlines additional restrictions or permissions specific to the funding source or program.

- Grantees must ensure claimed costs align with the terms in Appendix A and any written clarifications provided by HRC.

#### 4. **Cost Approval**

- Allowable costs must be approved within the executed contract budget.
- Some costs require **supplemental written approval** before they may be considered reimbursable (e.g., travel, capital purchases, subcontractors). These requirements are specified in grant agreements.

#### 5. **Reasonableness and Documentation**

- All costs must be reasonable and supported by appropriate documentation including invoices, receipts, payroll records, or cost allocation methodologies for shared expenses.
- Costs that are excessive, inconsistent with the purpose of the grant, or not a prudent use of funds will be denied.

### **Roles and Responsibilities**

#### **Grantees** must:

- Follow this policy and the executed grant agreement
- Use the Controller's Guidelines and Appendix A to verify allowability
- Submit clearly documented reimbursement requests with required supporting materials

#### **HRC Staff** must:

- Use this policy and the Controller's Guidelines to review submitted invoices
- Confirm that costs align with the approved grant budget and are consistent with funding source requirements
- Deny or request clarification for unallowable, undocumented, or unreasonable expenses

### **Reference Materials**

- Guidelines for Cost Categorization in Nonprofit Contracts and Grants – Version 2.0 (Controller's Office)
- HRC Grant Agreement Template G-100 and G-150
- Agreement's Appendix A
- Controller's Accounting Policies and Procedures, Section 4.7.3 (Tips and Gratuity)