

(2) If the sum of the approved applications does not exceed the amount appropriated, the Secretary awards grants in the amounts requested and approved;

(3) If the sum of the approved requests exceeds the sum appropriated, and Morehouse School of Medicine submits an approved request for at least \$3,000,000, and the amount appropriated exceeds \$3,000,000, the Secretary awards no less than \$3,000,000 to Morehouse School of Medicine and reduces the grants to the institutions described in § 609.2(b)(1) through § 609.2(b)(5) as the Secretary considers appropriate, so that the sum of the approved grants equals the amount appropriated; and

(4) If Morehouse School of Medicine submits an approved request for at least \$3,000,000 and the amount appropriated does not exceed \$3,000,000, Morehouse School of Medicine receives all the appropriated funds; and

(b)(1) Any amount appropriated in excess of \$12,000,000 shall be available for the purpose of making grants, in equal amounts not to exceed \$500,000, to institutions or programs described in § 609.2(b)(6) through § 609.2(b)(16); and

(2) If any funds remain, the Secretary makes grants to institutions or programs described in § 609.2(b)(1) through § 609.2(b)(16).

(Authority: 20 U.S.C. 1063b)

Subpart E—What Conditions Must a Grantee Meet?

§ 609.40 What are the matching requirements?

If an institution receives a grant in excess of \$500,000, it must spend non-Federal funds to meet the cost of at least 50 percent of the activities approved in its application.

(Authority: 20 U.S.C. 1063b)

§ 609.41 What are allowable costs and what are the limitations on allowable costs?

(a) *Allowable costs.* Except as provided in paragraphs (b) and (c) of this section, a grantee may expend grant funds for activities that are reasonably related to carrying out the allowable activities included in its approved application.

(b) *Supplement and not supplant.* A grantee shall use grant funds so that they supplement, and to the extent practical, increase the funds that would otherwise be available for the activities to be carried out under the grant, and in no case supplant those funds.

(c) *Limitations on allowable costs.* A grantee may not—

(1) Spend more than fifty percent of its grant award in each fiscal year for costs relating to constructing or maintaining a classroom, library, laboratory, or other instructional facility; and

(2) Use an indirect cost rate to determine allowable costs under its grant.

(Authority: 20 U.S.C. 1062, 1063b, and 1066)

§ 609.42 What are the audit and repayment requirements?

(a)(1) A grantee shall provide for the conduct of a compliance and financial audit of any funds it receives under this part by a qualified, independent organization or person in accordance with the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, 1981 revision, established by the Comptroller General of the United States. This publication is available from the Superintendent of Documents, U.S. Government Printing Office.

(2) The grantee shall have an audit conducted at least once every two years, covering the period since the previous audit, and the grantee shall submit the audit to the Secretary.

(3) If a grantee is audited under chapter 75 of title 31 of the United States Code, the Secretary considers that audit to satisfy the requirements of paragraph (a)(1) of this section.

(b) An institution awarded a grant under this part must submit to the Department of Education Inspector General three copies of the audit required in paragraph (a) of this section within six months after completion of the audit.

(c) Any individual or firm conducting an audit described in this section shall give the Department of Education's Inspector General access to records or other documents necessary to review the results of the audit.