



BEAD Compliance Essentials: Allowable Costs & Matching

Broadband Equity, Access, and Deployment Program (BEAD)

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Meet Your Presenters



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Agenda

1. Understand activities allowed and allowable costs compliance requirements
2. Identify matching compliance requirements
3. Apply practical internal controls
4. Recognize audit risk areas



01

Activities Allowed and Allowable
Costs Compliance Requirements



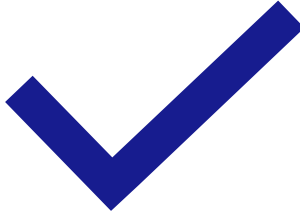
Regulatory Framework



BEAD grant agreement



2 CFR Part 200
(Uniform Guidance)



OMB Compliance
Supplement

General Standards

Activities Allowed or Unallowed

- Activities that are allowed or unallowed vary program to program
- Details on Activities Allowed or Unallowed can be found in:
 - BEAD Notice of Funding Opportunity (NOFO)
 - OMB Compliance Supplement
 - Grant agreements
- Establish controls to ensure expenditures are allowed
- Identify activities that are specifically allowed or prohibited

Question being asked: Were the objectives of the program met?

General Standards

Allowable Costs/Cost Principles

- Costs that are allowed or unallowed vary program to program
- Details on Allowable Costs can be found in:
 - BEAD Notice of Funding Opportunity (NOFO)
 - OMB Compliance Supplement
 - Grant agreements
- Costs must:
 - Be necessary and reasonable for the performance of the federal award
 - Conform to any limitations or exclusions
 - Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of a non-federal entity
 - Be accorded consistent treatment (direct vs. indirect costs)
 - Be determined in accordance with generally accepted accounting principles (GAAP)
 - Not be included as a cost used to meet cost sharing or matching requirements of another federally financed program
 - Be adequately documented

Question being asked: Were the funds expended reasonable?

BEAD Standards

Activities Allowed/Allowable Costs – Broadband Deployment Projects



Construction, improvement, and/or acquisition of facilities and telecommunications equipment required to provide qualifying broadband services



Long-term leases of facilities required to provide qualifying broadband services



Deployment of internet infrastructure within an eligible multi-family residential building



Engineering, design, permitting, and work related to environmental, historical, and cultural reviews



Personnel costs, including salaries and fringe benefits for staff and consultants providing services directly to the program



Network software upgrades, including but not limited to cybersecurity solutions



Training for cybersecurity professionals who will be working on BEAD-funded networks



Workforce development, including apprenticeships and vocational training for broadband-related occupations to support deployment, maintenance, and upgrades

BEAD Standards

Payroll and Fringe Benefits

- Payroll costs for time spent directly on the grant project are considered allowable costs
- Hours worked on grant project should be tracked separately from other projects and reflected on timesheets
 - Timesheets should have a documented review by a manager

- Fringe benefits can include, but are not limited to:
 - Employer retirement contributions
 - Employer social security contributions
 - Life, health, and dental insurance
 - Unemployment and workers comp insurance
- Fringe benefits must be allocated to grant and/or match funds in a manner consistent with the benefits attributable to individuals whose salaries and wages are chargeable to the federal awards
- Detail on benefit/overhead spreading and related calculations should be maintained and reviewed for reasonableness

BEAD Standards

Long-Term Leases

- Must have a lease term of greater than one year
- Applies to leases of facilities required to provide qualifying broadband services
- Includes infeasible right-of-use agreement (IRU)
- Expenditures must line up with period of performance
 - Example: Company enters into a dark fiber lease from 1/1/2026-12/31/2035; BEAD period of performance ends 12/31/2029
 - The Company can include lease expenses from 1/1/2026-12/31/2029 in grant and/or matching funds
- If a lease or IRU are prepaid, a prorated amount equal to the length of time used during the period of performance can be included in grant and/or matching funds

BEAD Standards

Prohibited Costs



Recipients may not use grant funds to purchase or support any covered communications equipment or service as defined in Section 9 of the Secure and Trusted Communications Networks Act of 2019



Recipients may not charge a profit, fee, or other incremental cost incurred



Recipients may not use grant funds, directly or indirectly, to support or oppose collective bargaining

Prohibited Costs

Secure and Trusted Communications Networks Act of 2019

- This bill establishes:
 - A mechanism to prevent communications equipment or services that pose a national security risk from entering U.S. networks
 - A program to remove any such equipment or service currently used in U.S. networks
- Specifically prohibits use of certain federal funds to obtain communications equipment from a company that poses a national security risk to U.S. communications networks.
- FCC must publish and maintain a list of such equipment or services:
 - [List of Equipment and Services Covered By Section 2 of The Secure Networks Act | Federal Communications Commission](#)
- Even if the equipment is not purchased directly from a listed company, if the equipment was produced or manufactured by a listed company, it is a prohibited cost

02

Matching Compliance Requirements



BEAD Standards

Matching

- Typically 25% of project costs
- Specific match amounts and/or percentages can be found in the grant agreement
- Some waivers are in place for designated “high-cost areas” and other cases NTIA has specifically waived
 - Waivers are not common, so it is highly recommended to confirm waivers with grantors and to have any waivers in writing
 - Requests for waivers must be submitted to the NTIA and approved by the Assistant Secretary
- Expenditures paid with matching funds must follow all other compliance requirements
- Level of Effort and Earmarking requirements are generally only state requirements and are not applicable to subrecipients
- Match tracking
 - Per invoice (75% grant funds, 25% match funds)
 - Each invoice assigned to grant or match
 - Generally, back-loading or front-loading match isn’t allowed.
 - Expectation is match funds will be spent along side grant funds

BEAD Standards

Allowed Sources of Matching

Cash or cash
equivalents

Bank loans or lines
of credit

Other federal
programs as
allowed by The
Infrastructure Act

Loan funding issued
through a federal
agency (RUS,
Reconnect, etc.)

In-Kind Matches

BEAD Standards - Matching Other Federal Programs

- Funds from other federal programs generally may not be used as matching funds
 - **Funds from the Universal Service Fund programs may not be used as matching funds**
- The Infrastructure Act expressly provides that matching funds for the BEAD Program MAY come from funds provided for the purpose of deploying broadband services under the following:
 - Families First Coronavirus Response Act
 - CARES Act
 - Consolidated Appropriations Act
 - American Rescue Plan Act

BEAD Standards - Matching

In-Kind Matches

- Non-cash contributions of property, goods, or services that benefit a federally assisted project
- Can include third-party in-kind contributions
- Must meet the criteria outlined in 2 CFR 200.306
- Required to be allowable costs under the grant agreement
- Companies need to develop policies or procedures to value the in-kind contributions
 - Appraisals, market research, payroll history, etc.
- Examples of in-kind contributions could include:
 - Employee or volunteer services
 - Equipment
 - Supplies
 - Indirect costs
 - Computer hardware & software
 - Use of facilities
 - Waiver of fees associated with access to rights of way, pole attachments, conduits, easements, or other types of infrastructure

03 & 04

Audit Risk Areas and Applying
Internal Controls



Internal Controls

Activities Allowed/Allowable Costs

- Documented review purchase orders or other agreements for allowability prior to contracting/purchasing
- Written policies/procedures that include identifying grant costs, time reporting, consistent application for federal and non-federal activities, etc.
- Documented review of payroll and timekeeping
- Documented review of invoices prior to payment
- Accounting system prevents posting of costs to grant outside of approved funding sources
- Periodic documented expenditure review (budgeted vs. actual expenditures, cost trends)

Internal Controls

Matching

Written policies/procedures that include review of match requirements, verification of match amount, match tracking, valuation methodology for in-kind contributions, etc.

Documented review that match expenditures are not included in grant reimbursement requests

Periodic reconciliation of match funds

Review of timing of match funds

Note: Matching expenditures should also follow internal controls for Activities Allowed and Allowable Costs

Audit Risk Areas

Activities Allowed/Allowable Costs

- Using grant funds for expenditures not allowed by the federal program
- Build out to locations not included in the grant agreement
- Lack of support for payroll expenditures (timesheets, pay rates, benefits/overhead allocations, etc.)
- Lack of documented policies/procedures
- Applying expenditures outside the period of performance to grant funds
- Lack of documentation of internal controls operating
- Insufficient support for expenditures (invoices, contracts, payroll reports, journal entries, etc.)

Audit Risk Areas

Matching

- Lack of documentation of matching waivers
- Insufficient matching funds
- Applying expenditures outside the period of performance to match funds
- Front-loading or back-loading match funds
- Lack of valuation for in-kind match items
- Lack of documentation of internal controls

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