

## Allowable Costs on Sponsored Programs

### 1. Overview

As a recipient of sponsored funding, the University must comply with Uniform Guidance Cost Principles and sponsor requirements. As such, all sponsored project costs must meet the allowable cost criteria to be charged to the project. Principal Investigators (PI) and department personnel are responsible for reviewing and approving all expenditures charged to sponsored projects to ensure compliance. In the event an expense is deemed unallowable, it must be charged to an appropriate non-sponsored funding source.

This procedure applies to all University sponsored projects to ensure consistency in the treatment of allowable costs. In the event that a sponsor policy or specific award terms and conditions prescribe otherwise, such policy or terms and conditions shall prevail.

### 2. Purpose

To provide guidelines for defining allowable costs on sponsored projects funded by the Federal government and other sponsors.

### 3. Who Must Comply

Department Personnel  
Research Financial Services  
Principal Investigators

### 4. Definitions

**Allocable Costs:** A cost is allocable to a specific cost objective (e.g. grant, function, department) if the goods or services involved are chargeable or assignable to that cost objective in accordance with the relative benefits received or other equitable relationship. A cost is allocable to a grant if: it is incurred solely in order to advance work under the grant; it benefits both the grant and the work of the institution, including other grant-supported projects; or it is necessary to the overall operation of the organization and is deemed to be assignable in part to the grant.

**Consistency:** Grantees must be consistent in assigning costs to cost objectives. Although costs may be charged as either direct costs or F&A costs, depending on their identifiable benefit to a particular project or program, they must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding so as to avoid duplicative charges. Consistency principles also apply to Federally-identified activity types: instruction, organized research, other sponsored activity, and other institutional activities and must be treated appropriately.

**Conformance:** Conformance with the limitations and exclusions as contained in the terms and conditions of award, varies by the type of activity, the type of recipient, and other variables of individual awards.

**Reasonable Costs:** A cost may be considered reasonable if the nature of the goods or services acquired or applied and the associated dollar amounts reflect the action that a prudent person would have taken under similar circumstances at the time the decision to incur the cost was made. The cost principles elaborate on this concept and address considerations such as: whether the cost is of a type generally necessary for the organization's operations or grant's performance; whether the recipient

complied with its established organizational policies in incurring the cost; and whether the individuals responsible for the expenditure acted with due prudence in carrying out their responsibilities to the Federal Government, the public at large, and the organization.

## 5. Procedures

Costs must meet the following general criteria to be considered allowable on sponsored programs (including industry sponsored clinical trials):

- Necessary and **reasonable** for the performance of the project and reflect what a prudent person might pay under the same circumstances
- **Allocable**; the project that paid the expense directly benefits from it
- **Conform** to any limitations or exclusions set forth under Uniform Guidance, sponsor terms and conditions, the specific award agreement, or University policy
- **Consistent**; costs treated the same way in like circumstances regardless of the source of funding (i.e. Federal vs. non-Federal; direct vs. indirect)
- Not associated with cost sharing or matching requirements of any other Federally financed program
- Adequately documented.

The following table represents the most common costs as a guideline but is not exhaustive. A review of the cost principle criteria and specific award notice is critical in determining whether a cost is allowable.

Unallowable	Generally NOT Allowable	Allowable
Advertising & Public Relations	Administrative & Clerical Salary	Animal Care/Human Participation Costs
Alcoholic Beverages	Dues and Memberships	Consortium Costs
Bad Debt Expense	General Purpose Equipment (e.g., copier, toner)	Fringe Benefits
Cost Overruns	Postage (e.g., USPS, FedEx, UPS)	Laboratory Supplies
Entertainment	Recruitment & Relocation	Patient Care Costs
Convocation	Telecommunications	PI/Faculty Salary
Fines, Penalties & Parking Tickets		Publication Costs
First Class Travel		Specialized Scientific Equipment
Gifts, Coffee & Water Service		Technical Support Salary
Fundraising, Donations & Contributions		Travel
Legal Costs		
Lobbying		

**6. Roles and Responsibilities**

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<b>Department Personnel</b>	<ul style="list-style-type: none"><li>• Conduct monthly review and reconciliation of project costs, in collaboration with PIs, to ensure project costs comply with Federal cost principles</li></ul>
<b>Research Financial Services</b>	<ul style="list-style-type: none"><li>• To provide guidance on which project costs are allowable, allocable, reasonable, consistently treated and conform with sponsor guidelines</li></ul>
<b>Principal Investigators</b>	<ul style="list-style-type: none"><li>• Ensure all project costs are allowable, allocable, reasonable, consistently treated and conform with sponsor guidelines</li><li>• Collaborate with department personnel monthly to review project costs</li></ul>

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**7. Resources**

Federal Regulations:  
Uniform Guidance (UG) 200.403-405  
NIH Grants Policy Statement  
NSF Grant Policy Manual