



**NO. 3038 FEDERAL GRANTS ALLOWABLE COSTS**

- 1.0 Purpose:
  - 1.1 The purpose of this policy is to provide guidance to Principal Investigators/Project Directors, departments and personnel of OCCC in evaluating allowable costs in accordance to Subpart E - Cost Principles, 2 C.F.R. §§ 200.400 – 200.476 for administrating and monitoring direct and indirect costs charged on sponsored projects, in accordance with Federal, State and sponsor specific guidelines.
  - 1.2 These costs must:
    - 1.2.1 Be necessary and reasonable for the performance of the federal award (and be allocated to that use).
    - 1.2.2 Be treated consistently with other comparable costs—for example, a cost may not be treated as a direct cost if a cost incurred for the same purpose in similar circumstances was allocated as an indirect cost.
    - 1.2.3 Not be used to meet cost-sharing or matching requirements of any other federally financed program.
    - 1.2.4 Be adequately documented.
- 2.0 Four Cost Principles:
  - 2.1 Reasonable - A cost is considered reasonable if the nature of the goods or services acquired or applied and the amounts reflect the action that a prudent person would have taken under the circumstances prevailing at the time of the decision was made to incur the costs.
  - 2.2 Allocable - Costs should be allocable to the sponsored agreements under the principles and methods of the Uniform Guidance 2 CFR Part 200.405. A cost is allocable to a particular sponsored project if the goods or services involved are chargeable or assignable to the project in accordance with the related benefits in proportion to use on the award.
  - 2.3 Consistent - Costs require the consistent application of cost accounting principles. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where OCCC treats a particular type of costs as a direct cost on sponsored agreements, all costs incurred for the same purpose in like circumstances must be treated as direct costs for all activities of the institution. Consistent treatment of costs is necessary to avoid inappropriate charges to the Federal government.
  - 2.4 Allowable: A cost is allowable when it is permitted under Federal Regulations or the terms of the sponsored agreement.
- 3.0 Types of Costs
  - 3.1 Direct Costs - Costs that can be identified specifically with the benefits projects and activities. If a direct cost benefits two or more sponsored projects, the Uniform Guidance provides standards for allocation across those sponsored projects. Direct charges to sponsored agreements are expected to adhere to the sponsor's restrictions

in the Notice of Award and budget and to support the sponsor's programmatic intent.

3.1.1 Unacceptable Direct Costing Practices

The following direct costing practices are unacceptable because they do not meet Uniform Guidance's standard for a "high degree of accuracy" in the assignment of costs to sponsored projects:

3.1.1.1 Rotation of charges among sponsored projects without establishing the relative benefit to each sponsored project;

3.1.1.2 Assigning charges to sponsored projects simply to spend the remaining balance with no benefit to the project;

3.1.1.3 Charging the budgeted amount (in contrast to charging an amount based on actual usage);

3.1.1.4 Assigning charges to a sponsored agreement in advance of the time the actual cost is incurred;

3.1.1.5 Identifying a cost as something other than what it actually is, e.g., office supplies being recorded in the general ledger using another account such as lab supplies;

3.1.1.6 Charging expenses exclusively to a particular sponsored project when the expense supports more than one sponsored award or institutional activity;

3.1.1.7 For funded awards that include indirect costs, assigning charges that are generally part of normal administrative support (indirect costs) as direct costs for sponsored projects (e.g., administrative and clerical salaries, use of shared office supplies, use of common campus spaces).

3.1.2 Allocation of a Direct Cost across Two or More Sponsored Projects.

3.1.2.1 If a cost benefits two or more sponsored projects in proportions that can be determined without undue effort or administrative expense, the cost should be allocated to the sponsored projects based upon the proportional benefit.

3.1.3 Proportional Benefit Rule

3.1.3.1 The criteria for allocation of costs to two or more sponsored projects are as follows:

3.1.3.2 The cost in question should be identified specifically with the group of sponsored projects relatively easily and with a high degree of accuracy; and

3.1.3.3 The department must maintain written documentation generated or approved by the PI or Co-PI demonstrating specific identification.

3.1.4 Proportional Benefit for Compensation Costs (Salaries, Wages and Benefits that Directly Benefit Two or More Sponsored Projects).

3.1.4.1 The proportional benefit rule is applied when the Principal Investigator/Project Director authorizes the distribution of salary and fringe benefits across two or more funding sources, sponsored projects or institutional activities.

3.1.4.2 This authorization should reflect the PI's best judgment of the proportional benefit of the salary and fringe benefit costs to each of the affected sponsored projects.

- 3.1.4.3 The Time & Effort Reporting verifies that the distribution of actual salaries and wages reflects the proportional distribution of compensation. Time and Effort Certifications should reasonably reflect the activities for which employees are compensated by the institution.
  - 3.1.4.4 The system should reflect activity applicable to each sponsored project.
  - 3.1.4.5 The Time & Effort Certification reports should be reviewed and approved as outlined in Policy No. 3068 Time and Effort Certification Procedures for Sponsored Agreements.
- 3.2 Indirect Costs/Facilities and Administration (F&A) Costs
- 3.2.1 Indirect costs are those that are incurred for common or joint activities of the University and therefore cannot be identified readily and specifically with a particular sponsored project, instructional activity or any other University activity. Expenses incurred for general departmental and institutional business are recognized as indirect costs.

Adopted: February 10, 2020

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