

RESEARCH ADMINISTRATION FORUM

Allowable Costs

Uniform Guide

Objectives

- Understand what are allowable and unallowable costs to Federal grants
- Understand the importance of properly budgeting for costs on Federal grants
- Understand the consequences of improperly documenting costs on Federal grants

Uniform Guide

- Lists 54 items of cost
- Subpart E§ 200.421 - § 200.475
- Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost.

General Criteria

- Reasonable (§ 200.404)
- Allocable (§ 200.405)
- Consistent Treatment (§ 200.413)
- Conform to limitations set forth in the uniform guide or in the sponsored agreement as to types or amounts of cost items

Reasonable Test

- Prudent person rule
- Ordinary and necessary for the operation of the Institution or performance of the award
- Consistent with regulations, state and federal laws, and institutional policies and procedures

Allocable Test

- It is incurred solely to advance the work under the sponsored agreement
- It benefits both the sponsored agreement and other work of the institution proportionately
- Cost principles, internal controls, direct cost allocation principles, and documentation
- Documented in accordance with the Procurement Standards in the UG Subpart D, § 200.317 - 326, Procurement Standards



Direct vs. Indirect Cost

A cost is either

Allowable or Unallowable

And

Direct or Indirect

Indirect (F&A) Costs

- UG Subpart E § 200.414
- Indirect costs are those that are incurred for common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.
- Items of cost must be treated consistently across the Institution with respect to direct or indirect application.

Allowable
Direct
Charges

Allowable
F&A
Charges

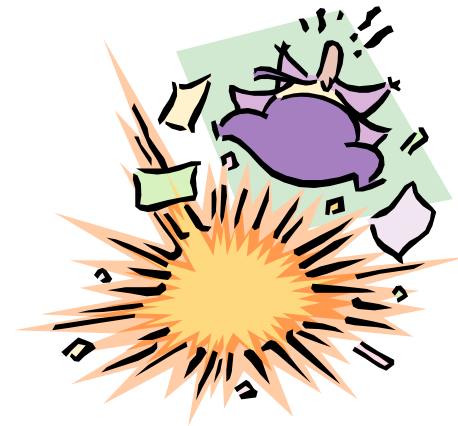
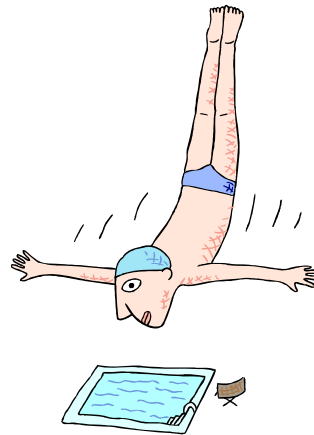
Unallowable

Equipment

Administrative
Support

Entertainment

F&A Allocation



Institutional Base Salary (IBS)

- UG Subpart E, § 200.430 (h)(2) Salary basis.
- IBS is defined as the annual compensation paid by the Institution for an individual's appointment.
- Whether the individual's time is spent on research, instruction, administration, or other activities.
- IBS excludes any income that an individual earns outside of duties performed for the Institution.
- Unless there is prior approval by the Federal awarding agency, charges of a faculty member's salary to a Federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.

Intra-Institutional Consulting

- Intra-Institutional consulting by faculty is assumed to be undertaken as an Institutional obligation requiring no compensation in addition to IBS.
- In unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the faculty member is in addition to his or her regular responsibilities, any charges for such work representing additional compensation above IBS are allowable provided that such consulting arrangements are specifically provided for in the Federal award or approved in writing by the Federal awarding agency.
- UG Subpart E, § 200.430 (h)(3-4)

Administrative Salaries

- Subpart E, § 200.413 (c)
- The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs.
- Direct charging of these costs may be appropriate only if all of the following conditions are met:
 - Integral to the project or activity;
 - Individuals involved can be specifically identified with the project or activity;
 - Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
 - The costs are not also recovered as indirect costs.

Computing Devices

- Subpart E, § 200.453: Materials and supplies costs, including costs of computing devices.
- Charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.
- To determine allocability, a direct purchase of any computing device must have an unlike circumstance request approved by RSS. This form is available to download at <http://www.researchsupport/forms.php>.
- The Faculty member must describe how the device is essential and allocable by relating to the goals and objectives of the project. Explicitly stating the need for a computing device in the budget justification of the proposal is the best way to ensure the allocability of the cost.

Terms of Agreement

In case of a discrepancy between the provisions of a specific sponsored agreement and the provisions of the UG, the agreement should govern.

Note: the program officer does not determine allowability of a cost. The Grants Management Specialist is responsible for the negotiation, award, and administration of the financial aspect of the project. Our Disclosure Statement (DS2) outlines how the Institution will allocate costs.

Budgeting

- Be specific about what you need to complete the project.
- Be sure to budget your items in the correct value category.
- Be specific about what you label things, e.g., advertising vs. marketing.
- Be sure to read the proposal guidelines.

Proposal Guidelines

- In some cases the proposal guidelines determine how the items of cost will be labeled.
- In case of a discrepancy between the provisions of a specific sponsored agreement and the provisions in Banner, the agreement should govern.
- Banner, however, cannot be modified to match the sponsored provisions.
- Therefore, off ledger adjustments may be necessary when reporting financial data to the sponsor.

Consequences

- During an audit, costs deemed unallowable must be removed from the grant along with the associated F&A costs incurred.
- Cost transfers that are not properly documented may be considered unallowable and must also be removed from the grant.
- These unallowable items become uncommitted voluntary cost share, i.e., costs to the department!

Commonly Asked Questions

- Are clerical salaries allowed on Federal grants?
 - Generally allowable as an indirect cost
- Are office supplies allowed on Federal grants?
 - Generally allowable as an F&A expense
- What about general purpose equipment, such as copy machines, computers, and typewriters?
 - Unallowable as direct charge, except where approved in advance by the awarding agency
- What about memberships, subscriptions, and professional activity costs?
 - Allowable, except civic, community organizations, country clubs, or social clubs. Institutional policy requires that the Sponsor must give prior approval of all professional memberships.

Commonly Asked Questions

- Are recruiting costs allowed on Federal grants?
 - Allowable under strict conditions
- Are rental cost of buildings and equipment allowed?
 - Allowable under strict conditions
- Are scholarships and student aid costs allowable?
 - Only if the purpose of the sponsored agreement is to provide training to selected participants (e.g., NIH Kirschstein-NRSA fellows)
 - Tuition remission can be paid in lieu of wages to students under certain circumstances (see §200.466 for reporting requirements).

Commonly Asked Questions

- What about Stipends?
 - These are Payments made to an individual under a fellowship or training grant in accordance with preestablished levels to provide for the individual's living expenses during the period of training. A stipend is not considered compensation for the services expected of an employee.
 - Stipends are not allowable under research grants even when they appear to benefit the research project.

Questions?

Websites for more information:

- Research Support Services
- <http://researchsupport.memphis.edu/>
- Grants Accounting
- <http://bf.memphis.edu/finance/accounting/gc.php>