

Guide to Direct Charging Cost to a Sponsored Award

Overview

This Guide provides assistance for direct charging cost to sponsored awards while maintaining compliance with the Federal cost principles outlined in OMB's Uniform Guidance 2 CFR part 200 Subpart E - Cost Principles. As such, the University is responsible for ensuring that costs charged to a sponsored award are allowable, allocable, reasonable and consistently treated under the federal cost principles.

In addition, sponsors may for individual awards include special terms and conditions that must be considered when incurring costs. Please review all agency guidelines and special conditions outlined in each Notice of Grant Agreement (NGA) to determine if a particular cost can be reimbursed or considered for costing sharing prior to incurring the cost.

Allowable Cost – 2 CFR 200.403

To be allowable costs under 2 CFR 200.403 cost must:

- be necessary and reasonable for the performance of the Federal award and be allocable
- be in compliance to any limitations or exclusions set forth in the 2 CFR part 200, as indicated in specific agency guidelines or the NGA as to types or amount of cost items.
- be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the University.
- Be consistently treated (a cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose is allocated as an indirect cost unless an unlike circumstance exist)

- Be determined to be in accordance with generally accepted accounting principles (GAAP)
- not be included as a cost used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period; and
- Be adequately documented.

Typical costs charged directly to sponsored awards include:

1. compensation of employees for performance of effort under the sponsored award, including applicable fringe benefit costs.
2. Costs of materials consumed or expended in the performance of the sponsored award.
3. travel in accordance with the University's policy
4. other items of expense incurred for the sponsored award

Costs of materials from stock/services rendered by specialized facilities or other institutional service operations may be included as costs under sponsored awards provided such items are:

1. Consistently treated in similar circumstances as direct costs, rather than facilities and Administrative (F&A) costs
2. Charged under a recognized method of computing cost

Reasonable Costs - 2 CFR 200.404

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

In determining reasonableness of a given cost, consideration must be given to:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the Institution or the proper and efficient performance of the sponsored award.
2. The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the sponsored award.
3. Market prices for comparable goods or services for the geographic area.
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the Institution, its employees, where applicable its students or membership, the public at large, and the Federal government.
5. Whether the Institution non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, (e.g. hiring decisions, choice of goods or services, vendor selection, etc.) which may unjustifiably increase the sponsored award's cost.

Allocable Costs – 2 CFR 200.405

A cost is allocable to a particular sponsored award or other cost objective if the goods or services involved are chargeable or assignable to that sponsored award or cost objective in accordance with relative benefits received. This standard is met if the cost:

1. Is incurred specifically for the sponsored award.
2. Benefits both the sponsored award and other institutional work and can be distributed in proportions that may be approximated using reasonable methods.
3. Is necessary to the overall operation of the non-Federal entity and is assignable in part to the sponsored award in accordance with 2 CFR Part 200.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the **proportional benefit**. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, the costs may be allocated or transferred to benefitted projects on any **reasonable documented basis**.