



East Stroudsburg University

Determining Allowability, Reasonableness, and Allocability of Costs Procedure for Sponsored Projects

Purpose

The purpose of this procedure is to ensure that East Stroudsburg University manages funds, from a grant funder or sponsor, prudently and ensures that costs are allowable, reasonable, and allocable. The federal regulations that govern this determination for federal funding include 2 CFR 200 Uniform Administrative Requirements and/or any additional regulations/guidelines from the sponsor. This procedure applies to all University faculty members and other employees who perform research, educational services, or other activities by a grant, contract, or other sponsored agreement.

Definitions

Principal Investigator (PI) – In the context of funding from sponsored agencies, the principal investigator is the person who has the appropriate level of authority and responsibility to direct the project or program supported by the grant. Not all agencies may use the term “principal investigator” but may use the term “project director,” which has the same definition as described above.

Procedure

When incurring costs using sponsored funds (i.e., making payments utilizing external funding from grants, contracts and cooperative agreements), the Principal Investigator administering the project is responsible for ensuring that all costs meet allowability, reasonableness and allocability standards prior to incurring the expense. All expenditures must also be approved by the Grant and Compliance Accountant.

Allowability

All costs must be allowable under federal regulations and sponsor terms and conditions. To be allowable costs must:

- Be reasonable.
- Be allocable.
- Be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances.
- Conform to any limitations or exclusions.

2 CFR 200 Uniform Administrative Requirements list in detail the allowability of particular elements of cost. Also, allowability of certain costs may be addressed in the terms and conditions

of specific awards, and can vary. When an item is questionable, the Office of Sponsored Projects and Research and Grant and Compliance Accountant should be contacted.

The following items are generally deemed unallowable by OMB. Limited exceptions to this are noted in Parenthesis

- Advertising and public relations (allowable in some limited circumstances, such as the need to advertise a research study to recruit subjects)
- Advisory councils (unallowable unless authorized by the awarding agency)
- Alcoholic beverages
- Alumni/ae activities
- Bad debts
- Civil, criminal, or administrative proceedings
- Commencement and convocation costs
- Contingency provisions (some limited exceptions apply--see section 200.433 of 2 CFR 200 Uniform Administrative Requirements for discussion of these)
- Contributions and donations
- Entertainment costs
- Fines, penalties, damages, or other settlements (unallowable except when incurred in complying with specific provisions of the federal award)
- Fundraising and investment management costs (costs related to the physical custody and control of money and securities are allowable)
- Goods or services for personal use (unallowable except for costs of housing, housing allowance, and/or personal living expenses specifically provided for in the federal award)
- Lobbying costs
- Losses on other awards or contracts
- Membership in country, social, or dining clubs, or in lobbying organizations
- Proposal costs
- Selling and marketing costs

Reasonableness

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:

- Whether or not the cost is of a type generally recognized as ordinary and necessary for the operation of the University or the proper and efficient performance of the sponsored project.
- 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 project.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the University, its employees, students, and the sponsor.
- Whether the University significantly deviates from its established practices and policies

regarding the incurrence of costs, which may unjustifiably increase the cost to the sponsored project.

Allocability

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

- Is incurred specifically for the sponsored project.
- Benefits both the sponsored project and other work of the University and can be distributed in proportions that may be approximated using reasonable methods.
- Is necessary to the overall operation of the University and is assignable in part to the sponsored project in accordance with the principals in 2 CFR 200 Uniform Administrative Requirements.

Where the purchase of equipment or other capital asset is specifically authorized under a sponsored agreement, the costs are assignable to the sponsored project regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.

Any cost allocable to a particular sponsored agreement under the principals provided for in 2 CFR 200 Uniform Administrative Requirements may not be charged to other sponsored agreements to overcome fund deficiencies, to avoid restrictions imposed by law, regulations, by terms of the sponsored agreement, or for other reasons of convenience.

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.