



## **Procedures for Grant-related Expenses**

### Examples of Criteria for Allowable Costs Applied to Transactions

#### **Allowability**

For a cost to be allowable, it must conform to the terms and conditions of the agreement; to Uniform Guidance (UG<sup>1</sup>) / 2 CFR 200 (federal awards); and to College policy. The terms of an award are applied before other regulations, including UG. In general, the most stringent standard applies.

Some costs may be an appropriate College expense but are not allowable as a charge to a sponsored project. Some costs may be allowable as a charge to a sponsored project but are not allowable under College expense guidelines.

- Fund raising is an appropriate expense for The College of Idaho, but fundraising cannot be charged either directly or indirectly to the federal government, according to UG / 2 CFR 200.
- As another example, 2 CFR 200 lists travel as an allowable cost; however, a particular award may stipulate that funds cannot be used for *foreign travel* expenses. Therefore, foreign travel expenses may not be charged to that particular project.

#### **Allocability**

An expense is **allocable** to a project if the item charged (e.g., salaries, supplies, travel, student tuition) **benefited** the project. Having current funds available on the project or the inclusion of specific expenses in the approved budget is not sufficient evidence to support allocability.

When allocating charges, ask:

- Are the costs incurred solely to advance the goals of the sponsored research?
- If the costs support two or more purposes, are the expenses allocated on a consistent basis?
- Is the method of allocating expenses between projects sound and reasonable?
- Is the expense allocation clearly documented?

Some expenses are appropriate for a single award (project or grant) while other purchases may be attributed to more than one project and should be allocated based on an "approximation of the degree to which each project benefits." (2 CFR 200.4)

Reasonable bases of allocation include head count of researchers, floor space, and number of experiments. A department may have some other approved method of allocating costs, which meets the federal criteria. The method of allocation must be documented, current, easily understood by a third party and available for review. Costs may not be shifted to other sponsored agreements to meet deficiencies caused by overruns.

The key is that cost allocation must be supportable, understandable, and reasonable based on the benefit each project receives.

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<sup>1</sup> Uniform Guidance supersedes 2 CFR 200, which in turn replaced OMB circulars A-21, A-110 and A-133.

## Reasonableness

A cost is **reasonable** when it reflects what a "prudent person" might pay for a good or service under the circumstances prevailing at the time the decision was made to incur those costs.

The three questions to determine reasonableness of cost are:

- Is it necessary for performance of the award?
- Does it advance the scope of work?
- Is it consistent with established institutional policies and practices?

## Consistency

Consistent treatment of costs refers to an established way of accounting that is applied uniformly across the organization. For instance, a particular cost is treated as a direct cost or an indirect cost under like circumstances.

## Documentation

Documentation must be:

- clear;
- coherent;
- concise;
- complete;
- correct;
- consistent; and
- timely.

The documentation must be easy to understand by any third party either from C of I or an outside agency. It must also be understandable several years into the future, as audits may occur up to 10 years after the initial documentation. Clarity regarding what was purchased, for what purposes, charged to which grant, all expressed in easily understood terms is a great asset. If possible, include an explanation in the comments area on requisitions to provide an auditor access to necessary documentation through the purchasing electronic records to better understand the transaction.

The business office or the grants office may assist the PI in properly documenting a project expenses. For supplies and other non-salary expenses, allocability may be documented through purchase/payment records and other files. For salaries and wages, the PI's certification of effort is the primary documentation of allocability, at which time the PI is assuring, after the fact, that salaries were appropriately paid in relation to work performed.

All documentation must be available for audit purposes for at least four years after the final reports have been filed for grants, and longer for contracts.

## Cost Sharing

2 CFR 200.29 defines "cost sharing" or "matching" as that portion of a project costs not paid by Federal funds. It includes both cash and in-kind contributions that a recipient makes to an award:

- *Cash contributions:* The recipient's cash outlay, including the outlay of money contributed to the recipient by third parties.

- *In-kind contributions*: Non-cash contributions in the form of real property, equipment, supplies, and other expendable property, and the value of goods and services benefitting and specifically identifiable to the project.

2 CFR 200.306 makes no distinction between cost sharing and matching. However, matching usually refers to a specific ratio between the amount of the award and the amount committed by the recipient, such as a dollar-for-dollar match or a 2-for-1 match. Cost sharing is a more general term referring to both cost sharing and matching.

Cost Sharing is

- mandatory if it is required by the sponsor as a condition of the award.
- voluntary if it is offered by the PI when no mandatory cost sharing requirements exist, or is in excess of mandatory cost sharing requirements.

Cost sharing occurs when a portion of the total cost of a sponsored project is paid by the College rather than the sponsor. Whether this cost sharing is mandated by the sponsor or volunteered by the recipient, the cost sharing becomes a College commitment and represents a binding obligation of the College once the award has been granted.

Some federal agencies have very specific rules about cost-sharing, including circumstances where cost-sharing is disallowed and may even be grounds for rejection of a grant proposal. Additional information on cost-sharing and other topics related grant budgets is available on the College grant resources web page (<http://www.collegeofidaho.edu/academics/office-academic-affairs/c-i-grant-resources/grant-forms-and-documents>).

### **Spending Indirect Cost Funds Recovered from Grants**

Although they are derived from grant-funded projects, indirect costs recovered by the College are institutional funds. Accordingly, indirect cost accounts are subject to the institutional rules for spending, but not the much more stringent regulations that govern spending of federal dollars as direct costs. Several relevant institutional policies apply to use of indirect funds. These include documents outlining the intended purposes for recovered indirect costs, conflict of interest policy, College procurement standards and requirements for documentation, and prohibition of use of College funds for personal, political, illegal, or otherwise forbidden purposes.