

Allowable Costs (Projects with a start date of 12/26/2016 and later)

I. INTRODUCTION

This guideline statement has been created to reflect the U.S. Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. According to the Uniform Guidance, Federal cost principles must be applied uniformly to all Federal awards and must be consistent with policies and procedures that apply to both Federal awards and other activities of the university, including non-Federally supported programs ([200.403\(c\)](#)).

In accepting a sponsored project, principal investigators, project directors, departmental administrators, and the University of Colorado Colorado Springs (UCCS) agree to follow the cost principles defined by the sponsoring agency. Allowability of costs can vary by sponsor, therefore it is imperative that the sponsor requirements contained in each and every award agreement be understood and followed.

II. GUIDELINE STATEMENT

Sponsored projects may be charged directly for costs that are allowable, reasonable, and allocable. Furthermore, all costs charged directly to a sponsored project are subject to audit by the respective funding agency or other audit agencies. This is true for both federally funded and non-Federally funded projects, in both like and unlike circumstances.

As stated in the Uniform Guidance ([200.412](#)) "There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards."

The primary responsibility for the sound fiscal management, as well as the programmatic direction, of a sponsored project belongs to the individual faculty member who is the grant or contract principal investigator. It is the responsibility of the principal investigator to ensure that only allowable, reasonable, and allocable direct costs are charged to a sponsored project.

Uniform Guidance, [200.403\(g\)](#) states that for an expense to be allowable on a Federal award, it must be adequately documented. Documentation for all project-related expenses, including cost sharing, must be maintained by the principal investigator's department in accordance with UCCS Record Retention guide. This would include, but not be limited to, receipts or copies of receipts, for all purchases, regardless of dollar amount. (Travel-related costs are governed by Internal Revenue Service Publication 463, requiring receipts only for expenditures \geq \$75.) **Here at UCCS, we keep all receipts regardless of dollar amount.** If the final determination is that any cost is unsubstantiated or disallowed, then reimbursement and any associated financial penalties will be borne by the department.

III. UNIFORM GUIDANCE DEFINITIONS RELATED TO COST PRINCIPLES

A. Allocable Costs (200.405)

A cost is allocable if the goods or services are charged to an award in proportion to the relative benefits received. The Uniform Guidance states the allocation standard is met if the cost:

1. Is incurred specifically for the award.
2. Is charged using direct cost allocation principles.
 - When a cost benefits multiple projects or a combination of projects and programs, and the cost can be distributed in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects or programs based on the proportionate benefit.
 - If the proportions cannot be easily determined, the cost may be allocable to the projects or programs receiving the benefit on any reasonable documented basis.
 - Allocation across awards cannot be based simply on funding availability.

B. Allowable Costs (200.403)

The Uniform Guidance outlines the following general criteria that must be met for costs to be allowable:

1. Be necessary and reasonable for the performance of the award and be allocable to the award.
2. Conform to any limitations or exclusions set forth in the Uniform Guidance or the sponsor agreement.
3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the institution.
4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to a Federal award as an indirect (F&A) cost.
5. Be determined in accordance with Generally Accepted Accounting Principles (GAAP).
6. Not be used to meet cost sharing requirements.
7. Be adequately documented.

UCCS position is to follow the most restrictive policy or guidance if a conflict exists.

C. Applicable Credits (200.406)

Applicable credits refer to those receipts or reduction-of-expenditure type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accrued to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

D. Direct Costs (200.413)

Direct costs are those costs that can be identified specifically with a particular final cost objective - such as a Federal award, or some other internally or externally funded activity - or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

E. Indirect Costs (200.56)

Costs incurred for a common or joint purpose benefiting more than one cost objective, not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved.

F. Reasonable Costs (200.404)

A cost is reasonable if, in 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. The Uniform Guidance lists the following items to be taken into consideration in determining the reasonableness of a cost:

1. Whether the cost generally recognized as ordinary and necessary for the operation of the organization or the proper and efficient performance of the award
2. The requirements of sound business practices, arm's length bargaining; applicable laws and regulations, and terms and conditions
3. Market prices for comparable goods or services for the geographic area
4. Whether the individual acted with prudence

G. Total Cost (200.402)

The total cost of a Federal award is the sum of the allowable direct and allocable indirect (F&A) costs, less any applicable credits.

Guidelines

1. **Direct Cost Application to Federal awards.** Identification with the Federal award, rather than the nature of the goods and services involved, is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards ([200.413\(b\)](#)). Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, and the costs of materials and other items of expense incurred for the Federal award.
2. **Unacceptable direct charging practices**
 - Purchasing items only to spend out remaining funds
 - Rotating costs among projects based on budget availability and not based on allocation of use
 - Charging the budget amount (in contrast to charging an amount based on actual costs/usage)
 - Assigning charges to an award before the cost is incurred (except as an encumbrance)
 - Charging an expense solely to an award when the expense has supported other activities/awards
 - Maintenance of membership rolls, subscriptions, publications, and related functions. See also ([200.454](#)) Memberships, subscriptions, and professional activity costs.