

Allowable Costs (Projects with a start date prior to 12/26/2016)

An allowable cost is one that is permitted under the terms and conditions of the sponsored agreement. Examples of terms and conditions include costs must be incurred within the project effective dates and must be in accordance with the approved project budget. The *OMB Uniform Guidance* lists four general tests for allowability.

Four Test of Allowability for Costs

1. Costs must be **reasonable**.
A reasonable cost results from an action that a prudent person would have taken under the prevailing circumstances at the time the decision to incur the cost was made. In addition, a reasonable cost is necessary to the performance of the sponsored agreement.
2. Costs must be **allocable**.
Allocability of cost involves an assessment of the relative benefits received from the incurrence of the cost.
3. Costs must be given **consistent treatment**.
According to the OMB Uniform Guidance, where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances must be treated as direct costs of all activities of the institution. Consistent also refers to the costing or pricing methods used by the institution. The institution must use the same costing or pricing methods for all costs. For example, it is not permissible for UCCS to charge more for a cost assigned to a grant than it charges for that same cost when assigned to a UCCS funded FOPPS.
4. Costs must conform to any limitations or exclusions set forth in the OMB Uniform Guidance or in the sponsored agreement.

Per the *OMB Uniform Guidance*, examples of normally allowable costs include:

- Salaries of technical staff working on the project
- Laboratory supplies used on the project
- Long distance telephone charges associated with the project
- Printing and duplicating reports for the project
- Animal and animal care related to the project
- Travel in support of the project
- Research equipment repair and maintenance costs.

Unallowable Costs

An unallowable cost is one that is not permitted under the terms and conditions of the sponsored agreement or under the rules and regulations of the state or the university.

Examples of typically unallowable costs:

- Salaries for general administrative and clerical support
- Costs associated with general office administration such as office supplies, postage, local telephone costs, and membership dues or fees
- Entertainment costs
- Lobbying costs
- General purpose equipment
- Any costs incurred after the project end date.

Direct Costs

According to the *OMB Uniform Guidance*, a direct cost is one that can be identified specifically with a particular sponsored project, or that can be directly assigned to a particular sponsored project, relatively easily and with a high degree of accuracy. A direct cost is one that is of distinct and genuine benefit to the project. In order to charge a cost directly to a project, the goods or service must be:

- Used on the project
- Permitted by the sponsor
- Incurred during the period of performance
- Treated as a direct cost when incurred for the same purpose in like circumstances.

The following list provides a sampling of costs that are **not normally allowable** as direct costs on a sponsored project because these costs are normally incurred as indirect costs:

- Salaries and benefits of administrative and clerical staff
- Office supplies
- Postage
- Local (basic) telephone expense
- Cell phones (per the Department of Health and Human Services)
- Membership dues
- General purpose equipment.