

6.12 ALLOWABLE COSTS - FEDERAL GRANTS

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The College is responsible to establish and oversee the allowability of costs for Federal awards.

Allowability of Costs on Federal Awards

For any cost to be charged directly to a Federal award the expense must be:

1. Allowable under both the provisions of Federal guidance AND under the terms of a specific award;
2. Allocable, the expense can be associated to a project with a high degree of accuracy;
3. Reasonable, the cost reflects what a "prudent person" would pay in a similar circumstance;
4. Charged consistently as direct expense (versus an indirect cost).

The spending of any funds awarded by the Federal government is governed by the "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule" (Uniform Guidance), published by the Office of Management and Budget (OMB). The above mentioned information regarding the treatment of costs is described in 2 C.F.R. Part 200, Subpart E and provided in the bulleted list below. It is the policy of the College to review the proposed cost to determine whether it is an allowable use of the grant award funds before obligating and spending those funds on the proposed good or service. This review process will include the College's other procurement policies and procedures. In addition, expenditures must be aligned with approved budgeted items for all federal awards. Any changes or variations from the approved budget and grant application need prior approval from the granting agency.

1. Allowability

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the College.
- (d) 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 the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).

(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

2. Allocable Costs

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

- (1) Is incurred specifically for the Federal award;
- (2) Benefits both the Federal award and other work of the College and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the College and is assignable in part to the Federal award in accordance with the principles in this subpart.

(b) All activities which benefit from the College's indirect (F&A) cost, including unallowable activities and donated services by the College or third parties, will receive an appropriate allocation of indirect costs.

(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the College from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

(d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must 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, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award 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. See also §§200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.

(e) If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

3. Reasonable Costs

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. The question of reasonableness is particularly important when the College is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the College or the proper and efficient performance of the Federal award.
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the College, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- (e) Whether the College significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014]

Selective Items of Allowable Costs

College personnel responsible for spending federal/state awards and for determining allowability must be familiar with the Part 200 selected items of cost section. In the absence of established allowable costs in the federal award, the College refers to the selective items of allowable costs (below) referenced in the Uniform Guidelines. When applicable, College staff must check costs against these selected items of cost requirements to ensure the cost is allowable. The table below is not intended to be exhaustive and citations are provided for reference purposes.

It is possible that additional requirements are put on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees must consult federal, state, and College requirements when spending federal funds.

The expenditure must also be allowable under the applicable program statute, along with accompanying program regulations, non-regulatory guidance, and grant award notifications. Also, the proposed cost must be consistent with the underlying needs of the program. For example, program funds must benefit the appropriate population of students for which they are allocated.

| Item of Cost Rule | Citation of Allowability |
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| Advertising and public relations costs | 2 CFR § 200.421 |
| Advisory councils | 2 CFR § 200.422 |
| Audit services | 2 CFR § 200.425 |
| Compensation – personal services | 2 CFR § 200.430 |

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| Compensation – fringe benefits | 2 CFR § 200.431 |
| Conferences | 2 CFR § 200.432 |
| Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements | 2 CFR § 200.435 |
| Employee health and welfare costs | 2 CFR § 200.437 |
| Equipment and other capital expenditures | 2 CFR § 200.439 |
| Exchange rates | 2 CFR § 200.440 |
| Gains and losses on disposition of depreciable assets | 2 CFR § 200.443 |
| General costs of government | 2 CFR § 200.444 |
| Idle facilities and idle capacity | 2 CFR § 200.446 |
| Insurance and indemnification | 2 CFR § 200.447 |
| Intellectual property | 2 CFR § 200.448 |
| Interest | 2 CFR § 200.449 |
| Maintenance and repair costs | 2 CFR § 200.452 |
| Materials and supplies costs, including costs of computing devices | 2 CFR § 200.453 |
| Memberships, subscriptions, and professional activity costs | 2 CFR § 200.454 |
| Organization costs | 2 CFR § 200.455 |
| Participant support costs | 2 CFR § 200.456 |
| Plant and security costs | 2 CFR § 200.457 |
| Pre-award costs | 2 CFR § 200.458 |
| Professional services costs | 2 CFR § 200.459 |
| Proposal costs | 2 CFR § 200.460 |
| Publication and printing costs | 2 CFR § 200.461 |
| Rearrangement and reconversion costs | 2 CFR § 200.462 |
| Recruiting costs | 2 CFR § 200.463 |
| Relocation costs of employees | 2 CFR § 200.464 |
| Rental costs of real property and equipment | 2 CFR § 200.465 |
| Scholarships and student aid costs | 2 CFR § 200.466 |
| Selling and marketing costs | 2 CFR § 200.467 |
| Specialized service facilities | 2 CFR § 200.468 |
| Taxes (including Value Added Tax) | 2 CFR § 200.470 |
| Termination costs | 2 CFR § 200.471 |
| Training and education costs | 2 CFR § 200.472 |

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| Transportation costs | 2 CFR § 200.473 |
| Travel costs | 2 CFR § 200.474 |
| Trustees | 2 CFR § 200.475 |

Selective Items of Unallowable Costs

The following are unallowable according to Section 200.421 through 200.475 of Subpart E of the Uniform Guidance. Other costs may be unallowable depending on the circumstances, refer to the Uniform Guidance for full detailed information on the allowability and unallowability of cost items.

| Item of Cost | Citation of Allowability Rule |
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| Alcoholic beverages | 2 CFR § 200.423 |
| Alumni/ae activities | 2 CFR § 200.424 |
| Bad debts | 2 CFR § 200.426 |
| Bonding costs | 2 CFR § 200.427 |
| Collection of improper payments | 2 CFR § 200.428 |
| Commencement and convocation costs | 2 CFR § 200.429 |
| Contingency provisions | 2 CFR § 200.433 |
| Contributions and donations | 2 CFR § 200.434 |
| Depreciation | 2 CFR § 200.436 |
| Entertainment costs | 2 CFR § 200.438 |
| Fines, penalties, damages and other settlements | 2 CFR § 200.441 |
| Fundraising and investment management costs | 2 CFR § 200.442 |
| Goods and services for personal use | 2 CFR § 200.445 |
| Lobbying | 2 CFR § 200.450 |
| Losses on other awards or contracts | 2 CFR § 200.451 |
| Student activity costs | 2 CFR § 200.469 |