

Allowable, Questionable & Unallowable Costs

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The Allowable....

- **Directly related research expenses that comply with the funding agency cost principles/allowable expenses**
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- **Sponsors have different policies:**
- Federal/State Agencies
- Foundations
- Corporate Agreements
- Gifts

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How do you know if it is allowable?

- Federal – Uniform Guidance, award documents, proposal guidelines
- State – award documents, regulations, laws
- Other Sponsors – award documents, websites
- ALL - Must comply with your Institutional Expense policy

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OMB Uniform Guidance

- **Cost Principles**
- Establishes principles for determining costs applicable to grants, cooperative agreements, and other agreements
- Direct costs
- F&A/indirect costs
- Selected items of cost
- Allowable/unallowable costs
- Time and effort reporting
- Property provisions

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READ THE AWARD NOTICE

- Be on the lookout for Special Terms and Conditions
- **Award Restrictions**
- Only applied to a particular grant for cause
- Shown on the NOGA after Section III
- EXAMPLE of Award Restriction: No funds may be expended for patient care until IRB approval has been reported to the NIH awarding component's program official and grants.

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Who is Responsible?

- **Who is Responsible for Post-Award Financial Management?**
- A. The Principal Investigator
- B. The Departmental Administrator
- C. The Sponsored Programs Administrator
- D. The Department Chair/College Dean
- E. The Institution

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Guidelines for the GOOD

- Actual expenses should be reviewed at least monthly to ensure they are accurate and
- Reasonable
- Allocable
- Allowable
- Consistently applied

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What is Reasonable?

- A cost may be considered **reasonable** if the nature of the goods or services acquired reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. For Example:
- Dr. Flashy needed a specialized piece of equipment for his research. He gets several quotes from different vendors.
- Quote 1: \$500 Basic model
- Quote 2: \$700 Basic model
- Quote 3: \$2,500 super deluxe

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How do you allocate?

- A cost is **allocable** to a specific grant if:
- it is incurred solely in order to advance work under the grant;
- if it benefits both the grant and other work of the institution in proportions that can be approximated
- If it is necessary to the overall operation of the organization; and is deemed assignable, at least in part to the grant.
- If a cost benefits 2 or more interrelated projects in proportions that cannot be determined, the cost may be allocated on any reasonable basis.

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What is allowable?

- A cost is **allowable** if it is reasonable, allocable and **conforms** to the cost principles and the sponsored agreement AND is not prohibited by law or regulation
- Conformance with limitations and exclusions as contained in the terms and conditions of award including the cost principles—varies by type of activity, type of recipient, and other characteristics of individual awards.
- Conforms to the Institutional Policy-Institutional may be more restrictive than sponsor policy.

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You MUST be Consistent

- Grantees must be **consistent** in assigning costs to cost objectives.
- Although costs may be charged as either direct costs or F&A costs, depending on their identifiable benefit to a particular project or program, they must be treated **consistently** for all work of the organization under similar circumstances, **regardless of the source of funding**, so as to avoid duplicate charges.

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The Questionable

- An item that may be “good” in one circumstance
- may be unallowable in another...

- Sometimes it is a matter of obtaining prior approval

- Sometimes it is a matter of programmatic necessity

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The Unallowable

- What do you do when you discover the unallowable?

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COST TRANSFERS

- Used to correct erroneous charges
- Must be well documented
 - Must explain why error was made
 - Describe steps to be taken to avoid this type of error in the future
- Must be made within **90 days from the time error was discovered**
- **In accordance with Institutional Policy**

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Questionable.....Charges may be considered unallowable if..

-they indicate a change in scope or objective of a project
- **Change in Scope** is a change in direction, type of training, or other area that constitutes a significant change from the aims, objectives, or purpose of the originally approved project
- Change from the approved use of animals or human subjects
- Shifting research emphasis from one programmatic area to another
- Applying a new technology; i.e., changing assays from those approved to a different type of assay
- Transferring the performance of substantive programmatic work to a third party through a consortium agreement, or contract

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Questionable...change in scope?

- Change in key personnel
- Significant rebudgeting resulting from a change in scope
- Rebudgeting funds into or out of the participant support category
- Purchase of a unit of equipment exceeding \$25,000 due to a change in scope

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Questionable... needs prior approval

- Deviation from award terms and conditions
- Preaward costs > 90 days prior to the effective date of the initial budget period of a project period for a new or competing continuation award
- Activities disapproved or restricted as a condition of the award
- Adding a foreign component
- Spending past the end date of the grant - Second No-cost extension o
- Transferring of funds from trainee costs (stipends or tuition/fees and health insurance)

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