

2326 -- Allowable Costs – Federal Awards/Sponsored Projects

As a non-Federal entity, Barton Community College will insure the allowability of costs associated with Federal grant awards in accordance with all applicable guidelines as set forth in the grant award notification and College procedures. For Federal grants, this includes but is not limited to, guidelines set forth in § 200.403 (Federal Register/Vol. 78, NO. 248/Thursday, December 26, 2013/ Rules and Regulations); *the Education Department General Administrative Regulations (EDGAR)*; *The Cost Accounting Standards (CAS)*, and other applicable State, Federal, or regulations.

General Principles for Allowability

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards and most other grant-sponsored programs.

- The cost must be necessary and reasonable for the performance of the Federal award or sponsored agreement and 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 cost must be allocable to a particular project when it has a direct benefit and can be directly attributable to the project or activity being performed.
- The cost must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the College.
- The cost is consistently treated when used in like circumstances (i.e., as direct or indirect costs).
- The cost must be allowed by College policy, sponsor policies, and costs conform to any limitations or exclusions set forth by §200.403 principles or are identified in the Federal award.
- The cost is determined in accordance with Generally Accepted Accounting Principles (GAAP).
- The cost has not been included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or prior period.
- The cost is adequately documented.

Prior Written Approval

Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the project director/coordinator should seek the prior written approval of the Federal awarding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the

reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances

Direct Costs, Allocated Costs and Indirect Costs

Direct Costs

Direct costs are costs that can be identified specifically with a particular Federal award or other internally or externally funded program or activity, or that can be charged directly to the account assigned to that program or activity. Barton Community College treats the following types of expenditures incurred in the performance of sponsored work, as direct costs charged to sponsored projects:

- Salaries, wages, and proportional fringe benefits of personnel directly engaged in the sponsored project.
- Salaries of administrative and clerical staff only if all of the following conditions are met:
 - Services are integral to the project or activity
 - Individuals involved can be specifically identified with the project or activity
 - Costs are explicitly included in the budget
 - Costs are not also recovered as indirect costs
- Travel and transportation expenses.
- Professional development.
- Cost of equipment, materials, supplies, and services.
- Consultant fees.
- Subcontracts.
- Other allowable costs per the terms of the agreement.

Allocated Costs

A direct cost can directly benefit more than one program or function and can, therefore, be allocated (or charged) to the benefiting programs or functions on some reasonable and equitable basis. For example, an individual spends the individual's time working on more than one College program. Salary and related fringe benefits can be charged to the respective programs based on the number of hours reported to each program on employee time sheets.

Indirect Facilities & Administrative (F&A) Costs

Indirect costs consist of costs incurred for more than one cost center, and costs that cannot be easily identified with a specific sponsored project or other College activity. The indirect cost rate reimburses the college for that fraction of its indirect costs that the granting agency agrees to bear. Federal agencies require colleges and universities to use rates negotiated with a government entity. In the case of Barton Community College, the Vice President of Administration is responsible for negotiating the indirect cost with the Department of Health and Human Services. Indirect costs include the following types of costs:

- An allowance for the use of College buildings.
- An allowance for the use of College equipment.
- The cost of operating and maintaining College facilities.
- The cost of maintaining College libraries.
- General administrative expenses.

- Expenses associated with the administration of student services.
- Departmental administrative expenses.
- Expenses associated with the administration of sponsored programs.

Unallowable Costs

Any expenditure that is not allowed to be charged to the award either by the award itself, federal agency regulations, non-Federally funded award regulations, institutional policies, or the OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* shall not be charged to the award.

Contact(s): Director of Grants

Related Form(s)

- None

References

§§ 200.403 – Factors affecting allowability of costs 200.404 Reasonable costs., 200.405 Allocable costs., 200.407 Prior written approval (prior approval), 200.413 Direct costs., 200.414 Indirect (F &A) costs., and Subpart E – Cost Principles, Federal Register, Vol.78, No. 248/Thursday, Dec. 26, 2013/Rules and Regulations).

Relevant Policy or Procedure(s): 1305 – Fiscal Management

Approved by: President

Date: 6/1/15

Revision(s): 5/25/17 (minor revision); 10/6/21 (change)