



CALIFORNIA STATE UNIVERSITY
LONG BEACH
RESEARCH FOUNDATION

Allowable Costs

Policy Objective:

This policy establishes guidelines for the appropriate charging of costs to sponsored projects as required by 2 CFR 200 and ICSUMA 11003.05 – Allowable Costs. There are four guiding principles or criteria used to determine whether a cost may be charged to a sponsored project: reasonableness, allocability, allowability, and consistency (refer to ICSUAM Definitions Policy [11001.01](#)).

Policy Statement:

The Office of Management and Budget (OMB) and related federal agencies establish principles for determining costs applicable to grants, contracts, other agreements and funding mechanisms with educational institutions. The Principal Investigator (PI) has primary responsibility for understanding what costs are allowable on sponsored projects and determining if costs should be directly charged to a project or charged to an “unrestricted” source of funds (i.e., not externally funded). The PI is also responsible for using funds in a manner consistent with federal, sponsor, research foundation, and university regulations. All direct charges to sponsored projects must adhere to the **principles of cost allowability, allocability, and reasonability** and must be consistently applied in like circumstances as required by the funding mechanism.

Adherence to this policy and procedure is required to prevent cost disallowances and penalties by the federal government and other sponsoring agencies.

It is important for the PI to recognize that personnel tasked with reviewing or auditing expenditures may not understand the programmatic necessity of certain costs incurred on an award. Therefore, it is a good business practice to provide a justification for the transaction on expense documentation (i.e., PO, requisition, reimbursement request, p-card reconciliation, etc.). This will assure there are no delays in processing the transaction document.

Procedure

The federal government has established policies for the types of costs it will allow and those it will not allow for reimbursement on sponsored project. Furthermore, the government identifies allowable costs as either direct costs or facilities and administrative costs.

Direct Costs are allowable costs that can be specifically and easily attributed to a sponsored project with a high degree of accuracy and can be directly charged to the project.

Facilities and Administrative Costs (F&A) are allowable costs related to the costs of using the university’s facilities and administrative support that cannot be claimed as direct costs to a

sponsored project. F&A costs are also referred to as indirect costs or overhead administrative costs. F&A costs are reimbursed through the negotiated F&A rate with the federal government.

This procedure establishes the guidelines for determining direct, F&A, and unallowable costs. It is the responsibility of the PI to understand these guidelines and to ensure that costs are appropriately and consistently applied to sponsored projects.

The Grants and Contracts Administrators (GCA) in the Office of Research and Sponsored Programs (ORSP) are responsible for Expenditure Posting Review to assure that costs incurred are compliant with the following guidelines. The GCA is a resource to PIs when further clarification is needed for how costs should be charged to sponsored projects.

Charging of Direct Costs to Sponsored Projects

- A. Allowable Direct Costs:** Direct costs charged to sponsored awards must be:
- 1. Reasonable and necessary** for meeting the objectives of the project.
 - 2. Allowable** according to the terms and conditions of the award and in accordance with federal regulations.
 - 3. Allocable** with relative ease to a specific activity or project or multiple projects based on its relative benefit to the project or projects. If costs are to be allocated between multiple projects, there must be supporting documentation of the methodology utilized to allocate the costs among/between the projects. If the benefit is spread over multiple projects and it is difficult to identify the direct benefit to each project with relative ease, the cost must be considered an F&A cost.
 - 4. Consistent** with costs charged in similar circumstances to other foundation activities.
 - 5. Available** within the budget of the award.

The following illustrate examples of typical direct costs charged to sponsored projects and further defines the circumstances for which they can be charged.

Salaries and Wages

Salaries, wages, and fringe benefits are allowable as direct charges on sponsored projects as long as the charges reflect the actual work performed on project-related activities and directly benefit the sponsored project.

Independent Contractor/Consultant Services

These services are provided to advance a specific portion of the project's scope of work. The provider may be either a member of a profession or a person possessing a special skill; he or she generally cannot be on the foundation or university payroll. Funding agencies vary in their requirements for approval of consultants. When consultant services are not in the awarded budget, refer to the agency guidelines for their specific requirements.

Subcontracts

Subcontract agreements specified in the awarded budget are allowed to be directly charged to a sponsored project. If a subcontract is not in the awarded budget, refer to the agency guidelines for their specific requirements.

Equipment

Equipment which will be used specifically for the benefit of the sponsored project, may be charged directly to the sponsored project depending on the specific agency guidelines. If an equipment purchase is specifically budgeted and justified in the awarded budget, further approval is generally not required unless otherwise noted in the award. If the approved budget does not include equipment, agencies may require prior approval. The PI and the research foundation must maintain documentation regarding the status, condition, and location of equipment purchased.

Travel

Travel costs, which include transportation, lodging, per diem, and incidentals, that are included in the awarded budget require no further approval and can be directly charged to a sponsored project as long as they are in accordance with applicable sponsor guidelines and with the university's travel guidelines. Although most federal sponsors have reduced the level of scrutiny on domestic travel, there are firm rules on traveling coach class and using only US flag carriers. Please consult your GCA before booking any airfares on non-US flag carriers.

Postage, Photocopies & Supplies

These expenses can be directly charged to a sponsored project only if it can be documented that there is a specific, direct benefit to the project and that this cost is in the award budget.

Telephone Expenses

In general, only telecommunication costs associated with a specific project can be charged to the relevant sponsored account if these costs are in the award budget. If a telephone has been installed for the sole use of a particular sponsored project (i.e. if conducting a phone survey is an objective of the project) and it will be removed when the project terminates, then monthly service, message units, and non-toll charges can be charged to the sponsored project. All other telephone expenses should be charged as F&A costs. Long distance charges may be directly charged to a sponsored project if the call was a direct benefit to the project.

Scholarships, Tuition and Student Aid

Student Aid and Tuition costs can be directly charged to a project at the rate defined in the approved budget. These costs are paid to matriculating CSULB students via the Student Financial Aid System. Contact your GCA for further guidance.

B. Unacceptable Direct Charging Practices. The following practices are inappropriate for charging direct costs to a sponsored project.

1. Assigning costs to projects in order to resolve an excess balance available on a project, this includes:
 - Assigning large equipment expenditures at the end of a project.
 - Increasing salary expenses on a project with an available balance when it is not consistent with the actual effort expended.

- Purchasing large volumes of consumable supplies, etc which cannot be consumed prior to the expiration of the current budget period.
- 2. Charging an expense exclusively to one award when the expense was used to support other activities.
- 3. Assigning expenses to a project that is not identifiable to a specific item or service.
- 4. Assigning charges to an award before the cost is actually incurred.
- 5. Assigning charges that are part of the normal administrative support for awards (e.g., proposal preparation, accounting, and payroll).

Charging of Facilities and Administrative Costs to Sponsored Projects

Federal agencies agree to reimburse institutions for F&A costs incurred to support sponsored projects through the federally negotiated F&A rate applied to the modified direct costs of each award. The federally negotiated F&A rate is calculated by determining the allowable costs the university will bear to support a sponsored project that are not directly charged to a sponsored project. These costs are allocated within the following categories:

Category	Typical F&A Costs
General & Administrative	The costs of operating institutional wide financial and general management, budget and planning, personnel management, payroll, and academic affairs.
Department Administration	Departmental secretarial and clerical staffs, administrative officers, deans and assistants, office supplies, and other office materials.
Sponsored Projects Administration	Expenses incurred in the office of grant and contract administration as well as assisting with project or research reports
Building Depreciation	Depreciation on university or foundation owned buildings over their useful life
Equipment Depreciation	Depreciation on the equipment purchased from unrestricted funds
Interest Expense	All interest expenses incurred
Operations & Maintenance	Facilities management expenses, janitorial and utility services, repairs and ordinary alterations of the physical plant and maintenance and operation of buildings.
Libraries	Central library services

Further Guidance on Appropriate Cost Allocation

Agencies pay for F&A costs through the use of the federally negotiated F&A rate. It would be inappropriate if a cost is included as an F&A cost and is also included as a direct cost charged to a sponsored project, because the sponsor would have been inappropriately charged twice for the cost. To prevent this from occurring, the following is a guideline of costs that are normally considered F&A costs and should not be charged directly to sponsored projects:

- A. Salaries of administrative and clerical staff for activities such as:
 - Accounting and budgeting activities
 - Filing
 - General department administration
 - Grants and contracts administration
 - Maintaining databases
 - Processing and tracking routine purchase orders
 - Routine travel planning
 - Routine data entry
- B. Office supplies such as:
 - Binders
 - Business cards
 - Copy paper
 - Envelopes
 - File folders and labels
 - Postage for general use
- C. Local telephone costs and equipment
- D. Rent and other utilities
- E. General use supplies or equipment such as:
 - Word processing software
 - Computers, laptops, or handheld computers
 - Pagers or cell phones

If a cost is specifically budgeted and justified in the proposed budget to the sponsor as directly benefitting the proposed project and the cost is NOT removed from the award, it is to be assumed that the sponsor has approved the cost(s) as being allowable as a direct cost.

Unallowable Costs

There are certain costs that cannot be charged to a sponsored project, either directly or indirectly. These include costs such as:

- A. Alumni activities
- B. Development and fund raising
- C. Entertainment
- D. Lobbying
- E. Defense or prosecution of criminal or civil proceedings
- F. Selling or marketing activities

PIs are responsible for ensuring that these costs are not charged directly to a sponsored project. Sponsors and the federal government have regulations specifying unallowable costs. If there is any doubt as to the allowability of a cost, the GCA should be contacted prior to incurring the cost.

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