Allowable Costs

Division of Financial Services – Sponsored Programs

November 2013
Factors affecting allowability of costs. OMB A-21 Section C.2.

The tests of allowability of costs under these principles are: (a) they must be *reasonable*; (b) they must be *allocable* to sponsored agreements under the principles and methods provided herein; (c) they must be given *consistent treatment* through application of those generally accepted accounting principles appropriate to the circumstances; and (d) they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

Direct Costs vs Indirect

Indirect costs are costs incurred for common or joint objectives, benefit multiple projects and activities and are more general in nature than direct costs. Utilities costs, building and equipment depreciation and office supplies are examples of indirect costs.

By contrast, the definition of a direct cost is a cost that can be specifically identified with a particular project or activity. If a cost benefits multiple projects, it must be allocated among the benefiting projects. If this cannot be done with relative ease and a high degree of accuracy, then they must be treated as indirect costs.
DISCLAIMER

Please note that the following will always have exceptions. What we are providing as the information below are the guidelines in general. Any time you have an item that you believe should be viewed in a different light, please contact your Sponsored Programs Office.
Computers

Typically unallowable. Computers are most often used for multiple tasks (i.e. email, instruction, administrative tasks, proposal preparation, research, etc). To be allowable, they must be in the budget and used solely on the project (or have a reasonable basis for allocating a portion of the cost to the sponsored project).

This would also include any electrical device used for communication purposes – whether it be for voice or data transmission.
Office Supplies and Office Furniture/Services

**Office Supplies** - Not allowable charges unless they are being used as the item having research done upon it.

**Phones/Phone Service** (including cell phones/data transmitting devices) – Not allowable charges unless specifically needed in remote areas for transmitting data to a home base on a periodic basis.

**Dues, Memberships, Subscriptions** – Typically unallowable. These are normally for the benefit of an individual rather than the benefit of the research project.
Foreign Travel

Must be in budget and may require prior sponsor approval. Must comply with the Fly America Act (US air carriers must be used, regardless of cost, or airline needs to have a code sharing agreement with a US air carrier).

Exceptions to Fly America Act:
http://www.gsa.gov/portal/content/103191

Travel Expenditures in General

Most economical means of travel will be reimbursed. Federal guidelines stipulate that and also state we are to follow our state guidelines. This also includes rental cars.
Administrative Salaries

Salaries, Wages, & Fringe Benefits for non-technical personnel.

This includes clerical and administrative personnel such as accountants, secretaries, business officers, office administrators, president, vice presidents, deans and directors.

These salaries are not allowable charges with federal funds. In some cases they can be allowable on non-federal agreements depending upon the type of agreement that is negotiated with the sponsor.
Meals & Entertainment

Typically unallowable.

Alcohol is never an allowable charge on a research grant.

Click here for more info: http://www.k-state.edu/finsvcs/sponsoredprograms/news/mealsandrefreshments.html
Transaction dates

All items purchased or wages incurred on an agreement must fall within the dates of the agreement.

Even with travel, if a trip goes beyond an end date, you cannot charge any travel for that specific trip to the agreement after the end date.

Purchases near end of award

Any major items that are purchased within the last 90 days of an agreement are susceptible to being unallowable costs. It gives the illusion that you are trying to spend out the agreement.

You cannot use the funds to replenish supplies. Several Federal Agencies are now requiring new reporting that includes us listing supplies remaining and equipment purchased. They also reserve the right to have us send those items to them at our cost (department’s cost).
Is it okay if it is in the budget?

Just because an item is listed in the budget does not mean that it is allowable on the project.

One thing to remember is that the budgets are generated prior to the award. This means that those offices with the University as well as with the Sponsor who have the expertise regarding allowable charges within Federal/State guidelines as well as other sponsoring agencies will apply the applicable terms & conditions and guidelines determining charges.