



Allowable Cost- Sponsored Programs

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Policy Administrator:	VP of Administration & Finance and Provost & VP for Academic Affairs
Policy Initiator:	Dean of Extension Services
Authority:	Uniform Guidance 2 CFR 200
Effective Date:	March 17, 2015
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Approved:	President Thomas A. Cropper
Approval Signature:	/s/

Purpose:

The purpose of this policy is to establish standards to ensure costs charged to sponsored projects are reasonable, allowable, properly allocable, and treated consistently.

Scope:

This policy applies to all sponsored projects and does not apply to non-sponsored agreements/projects and specialized service facilities.

Accountability:

The Vice President for Administration and Finance is responsible for ensuring compliance.

Policy:

Costs charged to sponsored projects should be reasonable, allowable, properly allocable, treated consistently, and in compliance with federal cost principles, applicable standards of other sponsors, and CSU regulations. It is the responsibility of the Principal Investigator (PI) to review and manage expenditures on the Sponsored Project. These expenditures are further reviewed by Sponsored Programs (SP).

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**. These criteria apply for both direct and Facilities and Administrative (F&A) costs (including cost match), as described below. For a given cost to be charged to a sponsored project, all four of these criteria must be met and documented.

A. Reasonableness

A cost is reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, 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.

B. Allocability

A cost is allocable to a particular sponsored project, if the goods or services involved are chargeable or assignable in accordance with relative benefits received or other equitable relationship.

C. Allowability

The determination of whether or not costs can be charged to a sponsored project as a direct or F&A cost.

D. Consistency

A cost is considered to be treated consistently when the expense is treated as either a direct or F&A cost under like circumstances.

In accordance with federal regulations (2 CFR 200.412) and requirements of other entities, there may be certain circumstances when costs that are normally treated as F&A can be direct charged to a sponsored project.

A. Definitions

1. Direct Cost

A cost that can be identified specifically with a particular sponsored project, instruction or any other institutional activity or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

2. Facilities and Administrative (F&A) Costs

A cost that is incurred for common or joint objectives and cannot be readily or specifically identified with a particular sponsored project, instruction or any other institutional activity.

3. Specialized Service Facilities

A specialized service facility (SSF), as defined by 2 CFR 200.468 is an operating unit that provides highly complex or specialized services to internal or external users.

4. Sponsored Projects

A grant, contract, or other agreement between the institution and a sponsor.

B. Cost Transfers

Cost transfers are made only with adequate justification and in a reasonable period of time, with the reasons for the transfers explained and documented in accordance with the following principles. Cost transfers from one budget period to the next solely for the purpose of curing cost over runs should never be allowed as it violates both NIH and NSF grants policy guidelines. And at no time, may cost transfers be made more than 90 days after the entire federal award has expired.

1. Examples of allowable cost transfers are:

- a.** Transfer pre-award costs from departmental holding accounts
- b.** To correct clerical error
- c.** To reallocate effort to reflect actuals
- d.** For routine allocation of shared services
- e.** To allocate service center charges, etc.
- f.** To clear overdrafts from federally-sponsored projects to unrestricted funds

2. An explanation for the transfer should include

- a.** Why the expense was originally charges to the account from which it is now being transferred
- b.** Why the charge should now be transferred to the receiving grant or contract

In the event the transfer is taking place more than 90 days after the close of the accounting period, an explanation should be required of the delay which includes a signed statement by the PI of the

steps taken to insure that such transfers will not occur again along with any other supporting documentation attached.

C. Related Principles:

1. This policy provides more specific direction toward implementation of section 3.5.2 of Executive Order 890, dated January 7, 2004 <http://calstate.edu/eo/EO-890.pdf>
2. COGR Management Practices <http://www.cogr.edu/>
3. Uniform Guidance 2 CFR 200

D. Personnel Expenses (Compensation)

1. Salaries, Wages, and Fringe Benefits

- a. Salaries, wages, and fringe benefits for non-administrative personnel (PIs, coinvestigators, research staff, etc.) are allowable as direct charges on sponsored projects when the charges reflect actual work performed and directly benefit the sponsored project.
- b. Salaries, wages, and fringe benefits for administrative personnel are typically unallowable direct charges on a sponsored project. However, there are exceptions when these costs may be charged directly to a sponsored project (i.e., a grant proposal requests, and the sponsor approves, administrative charges are integral to a project or activity as identified in exhibit C of 2 CFR 200.413).
- c. Salary, wage, and fringe benefit charges must be consistent with all other applicable Cal Maritime hiring procedures and employment practices.
- d. Costs associated with providing fringe benefits (FICA, Health Insurance, CALPERS Benefits, Workers' Compensation Insurance, State Unemployment Tax, etc.) to grant-funded personnel are charged on an actual basis to the sponsored project.
- e. Additional Compensation is computed utilizing Additional Employment Procedure.
- f. Institutional Base Salary is calculated utilizing the Institutional Base Salary Procedure.

2. Independent Contractors/Special Consultants

- a. Even if approved in the awarded budget, the Independent Contractor/Special Consultant must meet Cal Maritime's hiring criteria. Cal Maritime's Human Resources office will make the determination as to whether an Independent Contractor meets the necessary requirements and can be hired.

E. Law, State Codes, Regulations and Mandates:

1. 2 CFR 200.430 <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-430.pdf>
2. 2 CFR 200 Subpart E http://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1.5&rgn=div6#sg2.1.200_1419.sg16