

Policy Name: Cost Policy for Federal Grants
Policy Number: F/UNTHSC/RES/OGCM-006
Scope: All Researchers
Page: 1 of 2
Created/Revised: Created 7/13/01, Revised 07/11/03
Effective: 8/17/01

I. POLICY

This policy outlines general policies on expense reimbursement by the federal government and discusses the importance of assigning correct account numbers and General Ledger codes to expenses and credits.

II. BACKGROUND

Most of the external support for research at the HSC comes from the Federal government. This funding comes in the form of direct support for sponsored projects, but a substantial portion comes in the form of reimbursement for indirect costs of federally sponsored grants and contracts. The HSC tracks whether institutional activities are allowable for reimbursement through the activity/account number to which transactions are charged, and tracks allowable and unallowable cost objects through the General Ledger code used to record transactions.

III. DEFINITIONS

- Direct Costs are expenses that are specifically associated with a particular sponsored project or other direct cost objective, such as Auxiliary Activities or Instruction, or expenses that can be directly assigned to such activities relatively easily with a high degree of accuracy.

EXAMPLE: cost of materials used on a project

- Indirect Costs are expenses that cannot be identified specifically with a particular project or activity. They are expenses that benefit more than one activity.

EXAMPLE: costs of buildings or costs of utilities

IV. GENERAL RULES

Rules for allowability are covered in the government document OMB Circular A-21 and federal regulations. In many cases the issue of whether a particular cost is allowable is a complex one. When in doubt, consult with the Office of Grant & Contract Management. If the answer is still not clear, the Office of Internal Audit should be consulted. In general, expenses are chargeable to the federal government only if they are:

- Reasonable - A prudent person would have purchased this item and paid this price.

Policy Name: Cost Policy for Federal Grants
Policy Number: F/UNTHSC/RES/OGCM-006
Scope: All Researchers
Page: 2 of 2
Created/Revised: Created 7/13/01, Revised 07/11/03
Effective: 8/17/01

- Allocable - Expenses can be allocated to the government activity based on benefit derived, cause and effect, or other equitable relationship.
- Consistently Treated - Like expenses must be treated the same in like circumstances.
- Allowable - Allowable or not unallowable as specified by government regulations.

If an expense cannot meet the above criteria, it is not eligible to be charged to a federal grant or contract no matter what its purpose.

NOTE: Agencies that sponsor grants and contracts use the term allowable to mean permitted as a direct cost under the terms of a specific grant or contract. Expenses that are generally allowable for federal reimbursement may not necessarily be permitted under the terms of a specific grant or contract.

V. UNALLOWABLE COSTS

Expenses which are unallowable for federal reimbursement may still be reasonable and necessary business expenses permitted by the institution, as outlined in the Fiscal Policies. Departments may incur these expenses, but they must be coded as unallowable so they can be readily identified and excluded from the indirect cost calculation. A detailed list of specifically unallowable activities and cost objects is provided in the Section J of OMB A-21.