HOW TO EVALUATE A COST ON SPONSORED PROJECT AT TAMU-CC OMB

Allowability Principles

When considering allowability, OMB provides factors which can be used to determine if a cost is allowable. **These basic allowability principles remain the same for all federal projects under Uniform Guidance (UG).** Cost-reimbursable federal projects are typically subject to UG cost principles. This includes grants, cooperative agreements, awards, subawards, and contracts. These principles may not apply to federal fixed-price awards and contracts, but fixed-price contract *proposals* must adhere to these principles.

A Cost Must Be:

- **Reasonable and necessary for the performance of the federal award**. A cost is reasonable when its nature and amount 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 is generally recognized as necessary if it allows for the proper and efficient performance of the federal award.

- **Allocable or assignable to a federal award in accordance with relative benefits received**. A cost is allocable if it can be incurred specifically and used solely by a project, benefit more than one project, or benefit a project and some other work at TAMU-CC. Costs must be allocated to each benefited project based on proportional benefit or other reasonable documented basis such as time, effort, or square footage etc. For example: normal direct costs such as chemicals, gloves, flasks, and pipettes, when benefiting two or more projects must be allocated to each project proportionally based on usage. **Allocation methodologies must be documented** and auditable when employed. How the allocation methodology is logically related to the cost being allocated must be demonstrated. This documentation must be retained by the PI or Department files and available for audit.

- **Consistent with policies and procedures that apply uniformly to both federally financed and other activities of TAMU-CC**. The cost must be consistent with university policies and procedures.

- **Conformant to any limitations or exclusions set forth in the cost principles or in the federal award as to types or amount of cost items**. A cost must conform to the conditions of the sponsored agreement and not be prohibited by law, regulation, or term of an award.

- **Accorded consistent treatment as direct or indirect by university accounting practices**. It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or indirect cost in order to avoid possible double charging of federal awards. **In rare circumstances, costs which are normally treated as indirect may be directly charged to a sponsored project when a proper justification and prior approval by the sponsor is obtained.** Prior approval by the sponsor is necessary when reasonableness and allocability of a cost may be difficult to determine and/or specifically required by OMB. A proper justification will explain an unlike or unusual circumstance when costs are above the normal level needed for a project.

If necessary, see the following "University Guidelines" to determine if a cost is allowable per OMB and for the proper treatment as direct or indirect per University accounting standards. **Note: Direct costs can be identified specifically with a federal award and can be assigned to activities under the award relatively easily with a high degree of accuracy.** Direct costs are those for activities or services that benefit specific projects, e.g., salaries for project staff or materials required for a particular project. Because these activities are easily traced to projects, their costs are usually charged to projects on an item-by-item basis. **Indirect costs are those for activities or services that benefit more than one project and are difficult or impossible to allocate to a specific project.** Miscellaneous supplies such as administrative supplies purchased in bulk such as pens, pencils, and paper items are normally treated as indirect costs. Also, costs such as heat, electricity, and administrative staffing are considered indirect. If the cost is allowable, determine if it should be treated as a direct or indirect cost based on similar or related items of cost. If you are in doubt, contact your responsible research administrator.

Classification of Costs - University Guidelines for Direct and Indirect Charges

Failure to mention a cost in these University Guidelines does not imply that a cost is allowable or unallowable. All allowability criteria (reasonable, allocable, conformant and consistent treatment) must be considered for any cost to be allowed. All direct costs must be identified specifically with a federal award. Costs which are normally treated as indirect costs must meet all OMB criteria for allowability and be properly documented with a justification that demonstrates an unlike circumstance to support the cost as a direct charge. Federal sponsors in their review of costs incurred can choose to disallow costs that are not adequately supported by proper allocation, item allocability and documentation. *Responsibility for any disallowed costs resides at the PI Department/College or Center level.*

Type of Cost	Description of Typical Expenses	Direct Cost	Indirect Cost
Administrative and Clerical Salaries (2 CFR 200.413)	Administrative and clerical staff salaries should normally be treated as indirect costs.	Direct charging of these costs may be appropriate only if they meet all of the following conditions: (1) The administrative or clerical services are integral to a Federal award. (2) Individuals involved can be specifically identified with a Federal award; and (3) The costs are also not recovered as indirect costs. **Must be in the awarded budgeted as a line item with duties discussed in the budget justification.	Allowable Most Common
Advertising and Public Relations (2 CFR 200.421)	Advertising and Public Relations to promote our institution and not specifically required by a federal award.	Unallowable	Unallowable
	Advertising necessary to meet the requirements of the sponsored agreements and solely for recruiting personnel, research subjects, or to procure goods and services. Public relation costs necessary to meet the requirements of the sponsored agreement such as costs of communicating with the public and press as a part of outreach efforts.	May Be Allowable	Allowable Most Common
Alcohol (2 CFR 200.423)	Alcoholic Beverages, In General	Unallowable	Unallowable
	Alcohol used as chemical reagent or for research.	Allowable with Prior Approval from Sponsor. Benefit to the project should be explicit win the Statement of Work and Budget Narrative.	Allowable

Type of Cost	Description of Typical Expenses	Direct Cost	Indirect Cost
Books and Journals (2 CFR 200 Appendix III,B8)	Books and journals should be provided as a part of normal library services and treated as indirect. General or reference texts and books used to keep up with field of research are unallowable.	Unallowable	Allowable
	Books which are not available from the library and can be associated with a sponsored project with a high degree of accuracy. Books associated with a specific research technique or aspect of the research project that will introduce efficiencies to the research. Manuals for software or equipment used in research.	Allowable	Allowable
Communication Costs (2 CFR 200 Appendix III, B6(1)(2))	Local telephone costs, cell phones and use, pagers, and network charges	Dedicated lines are required for large data transmissions with collaborators or field work phones used for project specific communications are allowable.	Allowable Most Common
Compensation for Personal Services and Fringe Benefits (2 CFR 200.430)	Salaries and related fringe benefits of faculty, research associates, students, and other technical personnel that are of direct benefit to the sponsored project's scientific work during the period of performance under the award. (Also, see administrative and clerical salaries).	May be Allowable **Must be in approved budget and documented in budget justification. Allowable compensation for certain employees is subject to a ceiling in accordance with statute.	Allowable
Donations and Contributions (2 CFR 200.434)		Unallowable	Unallowable
Entertainment Costs (2 CFR 200.438)	Costs incurred for amusement, diversion and social activities	Unallowable	Unallowable
	Entertainment cost specific to the research and has a programmatic purpose.	May be Allowable **Must be in the awarded budget as a line item with programmatic purpose discussed in the budget justification.	Allowable
Equipment and other Capital Expenditures with an Acquisition Cost of $5,000 or More (2 CFR 200.439)	Equipment and capital expenditures which are general purpose, not limited to research, medical, scientific or other technical activities. Office equipment, air conditioning, printing equipment and motor vehicles. Parts and supplies for this equipment are also unallowable.	Unallowable	Unallowable

Type of Cost	Description of Typical Expenses	Direct Cost	Indirect Cost
Equipment and other Capital Expenditures with an Acquisition Cost of $5,000 or More **(2 CFR 200.439)** **Continued…**	Special purpose equipment and capital expenditures used only for research, medical, scientific, or other technical activities. Examples are: centrifuges, spectrometers, microscopes, and computers. Must be charged in the period in which the expenditure is incurred, or as otherwise determined as appropriate with the federal agency. Parts and supplies related to special purpose equipment are also allowable.	Allowable **Must be in the awarded budgeted as a line item with item discussed in the budget justification.	Allowable
Exchange Rates **(2 CFR 200.440)**	Cost associated with fluctuations in currency exchange rates.	Allowable	Allowable
Food and Beverage Costs	**Meals on Travel** Cost of a meal or meals for an employee in approved travel status on official university business. (Also, see alcohol, entertainment, and travel).	Allowable **See Travel Manual and Policy.	Allowable
	Catering or Business Meals Food and Beverage which is necessary to accomplish the objectives of the grant program. For example, an all-day meeting of collaborators on a program project where technical information closely related to the project is shared. Lunch interview to recruit a post doc (subject to a well-managed recruitment program). (Also, see alcohol, entertainment, and travel).	May Be Allowable **Document why the food is necessary on the Business Expense Meal Form attach include an agenda and an attendee list including participants from other locations.	Allowable Most Common
	Food and beverage costs which are not necessary to accomplish the objectives of the grant program. Examples are receptions, hospitality rooms, food and beverage during lab meetings, lunch for students during a local research activity, food and beverage provided during administrative activities) (Also, see alcohol, entertainment and travel).	Unallowable	Allowable Most Common

Type of Cost	Description of Typical Expenses	Direct Cost	Indirect Cost
Goods or Services for Personal Use (2 CFR 200.445)	Costs of goods or services which are not essential and allocable to a project.	Unallowable	Unallowable
Lab Coats and Laundering of Lab Coats	While lab coats and laundering of lab coats are essential for safety in a lab, these costs should normally be treated as indirect. It is too time consuming to correctly allocate to projects and activities under a grant.	Unallowable	Allowable Most Common
Materials and Supplies (Consumable Research Supplies) (2 CFR 200.453)	**Consumable research supplies** used in the conduct of research project(s) and specifically identifiable with the research. Examples are field supplies, chemicals, gasses, radioactive material, glassware, vials, pipettes and tips, test tubes, thermometers, bound notebooks and binders used to collect data.	Allowable **If used for more than one project, costs must be allocated. Documented allocation method must be maintained.	Allowable
Materials and Supplies (Administrative Supplies) (2 CFR 200 Appendix III)	**Administrative supplies** typically used to support multiple activities of project personnel for administrative and lab purposes. Examples are stationery, pens, tablets, file folders, staplers and staples, paper clips, writing utensils, markers, post it notes, rubber bands, binder clips, scotch tape and tape dispensers, copy paper, toners and ink.	Unallowable	Allowable Most Common
Materials and Supplies (Administrative Supplies) (2 CFR 200 Appendix III)	**Administrative supplies** are typically used to support multiple activities of project personnel for administrative and lab purposes. Examples are stationery, staplers and staples, paper clips, writing utensils, markers, post it notes, rubber bands, binder clips, scotch tape and tape dispensers, copy paper, toners and ink.	Unallowable	Allowable Most Common

Type of Cost	Description of Typical Expenses	Direct Cost	Indirect Cost
Materials and Supplies (Computing Devices) (2 CFR 200.453)	**Computing Devices** (computers, monitors, printers, back-up drives under $5,000) are direct costs when essential and allocable to the sponsored project. Computing devices with an acquisition cost of $5000 or more -See Equipment.	Allowable **Computing devices should be itemized in the proposal budget and the use of the devices must be explained in the justification. Evidence of essentialness and allocability must be documented and maintained. The PI is required to evaluate and ensure that the project does not have reasonable access to other devices that can achieve the same purpose.	Allowable
Materials and Supplies (Software)	**Software** which is specific for laboratory data acquisition (non-standard, i.e. statistical)	Allowable	Allowable
Materials and Supplies (Cleaning Supplies) (2 CFR 200 Appendix III)	**General use** cleaning supplies used to support multiple activities of project personnel and not specifically identifiable or easily allocated to a particular project. Examples include paper towels, hand soap, lab soap, and bleach.	Unallowable	Allowable Most Common
Memberships, Subscriptions, and Professional Activity Costs (2 CFR 200.454)	Membership required for obtaining a specific journal or periodical directly related to the project. Membership is required to attend a conference. Membership is required to receive reduced registration fees or other associated costs for the conference (cost must be greater than or equal to membership cost).	Allowable	Allowable
	Institutional membership in business, technical or professional organizations. Subscriptions to business, professional, and technical periodicals.	Unallowable	Allowable Most Common
	Membership to a country club or social or dining club. Membership in any civic or community organization. Membership in any organization whose primary purpose is lobbying.	Unallowable	Unallowable

Type of Cost	Description of Typical Expenses	Direct Cost	Indirect Cost
Participant Support Costs (2 CFR 200.456)	Stipends or subsistence allowances, participant travel and registration fees in connection with conferences or training Supplies such as material kits, demonstration supplies, or research materials. (Also, see food and beverage costs).	Allowable **Must be in the awarded budget. Incentives, gifts, souvenirs, t-shirts and memorabilia must be explained in the budget justification.	Allowable
Postage and Mailing (2 CFR 200.473)	General postage services, mailing of proposals and progress reports Postage to Mail Samples for Analysis or Parts for Repair may be Allowable	May Be Allowable	Allowable Most Common
	Express service needed to transport project materials or report in a non-routine manner	May Be Allowable	Allowable
Publication and Printing Costs (2 CFR 200.461)	Printing and Publication costs which are identifiable with a sponsored project. To produce bound manuals or print project related manuscripts and reports, research subject recruitment. Printing costs associated with proposals are indirect.	Allowable **Per the UG, these costs can be incurred outside the period of award before closeout. Costs must be charged within the closeout period of the project Costs for publication and printing should be specified in the budget and the justification should include explanation of why costs will be incurred post award.	Allowable
Recruitment and Relocation/Moving Costs (2 CFR 200.463)	Costs to maintain an adequate staff in keeping with workload requirements. Costs include help-wanted advertising, travel costs of employees and applicants during recruitment process, as well as relocation costs incident to recruitment of a new employee are allowable to the extent that costs are incurred pursuant to a well-managed recruitment program. (Also, see visa costs).	May Be Allowable **See moving expense policy and for relocation expenses. Per OMB Guidance, relocation costs are costs incident to the permanent change of duty assignment of not less than 12 months.	Allowable

Type of Cost	Description of Typical Expenses	Direct Cost	Indirect Cost
Student Activity Costs (2 CFR 200.469)	Costs for intramural activities, student publications, student clubs and other student activities unless provided for in the sponsored agreement	Unallowable	Unallowable
Taxes (including VAT) (2 CFR 200.470)	In general, taxes (gas, motor vehicle, VAT) which the institution is required to pay and that is paid or accrued in accordance with generally accepted accounting principles are allowable except taxes from which exemptions are available. Any refunds or credits resulting from the payment of taxes must be credited to the awarding agency.	Allowable	Allowable
Travel Costs (2 CFR 200.474)	Employees who are in travel status on official business in order to carry out the objectives of the sponsored project. Participation is necessary and cost is consistent with travel policy and "Fly America" requirements.	Allowable **See Travel Manual and Policy and Fly America requirements.	Allowable
Visa Costs for Recruitment 2 CFR 200.463)	Short term visa costs (travel visas) are generally allowable since they are issued for a specific period of time and purpose when travel is directly connected to work performed on a federal award. Cost must be critical and necessary, allowable under the applicable cost principles and consistently treated.	Allowable **Documentation supporting this cost must be maintained to show that these costs are clearly identified as directly connected to work performed on a federal project.	Allowable