

Contracts and Grants Accounting Policy for Allowable/Unallowable Costs on Sponsored Projects

Winston Salem State University

Approved by Dana Dupree, Associate Vice Chancellor for Financial Services

Revised February 14, 2024

1. Purpose/Introduction

To provide guidance for determining allowable/unallowable costs on sponsored projects and ensure compliance with the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards set forth in

[2 CFR part 200](#), the terms and conditions of the proposal/award, the policies of the sponsoring agency, and University policy.

2. Scope

This policy outlines the allowability and importance for proper treatment of costs on sponsored projects.

3. Definitions and Roles and Responsibilities

3.1 Definitions

Allocable – goods or services involved in the project can be directly assigned based upon the benefit provided to the project.

Reasonable – a cost is reasonable if, in its nature and amount, it 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.

Allowable – goods or services involved in the project are reasonable, allocable, consistently treated, and not specifically excluded by the Uniform Guidance, the terms and conditions of the proposal/award, the policies of the sponsor, or University policy.

Unallowable – those charges to an award that the sponsor determines to be Unallowable, in accordance with the applicable federal statutes, regulations, or the terms and conditions of the grant or contract.

Direct Cost – cost where a specific sponsored project gains explicit benefit from that cost for the specific programmatic purpose (e.g., salaries, wages, fringe benefits, consultants, materials and supplies, equipment, travel, participant costs, tuition, and subcontracts).

Indirect Costs/Facilities and Administrative (F&A) Costs – costs incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project (e.g., depreciation of buildings and equipment, computing infrastructure, administrative services, utilities, and custodial services).

Integral – the nature and purpose of the sponsored project lends itself to these types of personnel being essential in the completion and fulfillment of the stated aims and objectives.

Computing Devices – machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting, and receiving, or storing electronic information and acquisition cost of less than \$5,000.

3.2 Roles and Responsibilities

The Principal Investigator is responsible for ensuring that all sponsored project expenditures are:

- Reasonable and necessary to accomplish the project goals.
- Documented as to allocability determinations and plans.
- Allowable according to the terms of the award and all applicable sponsor, university, and state regulations.
- Properly authorized and documented.
- Within the appropriate budget period of the project.
- Reviewed in a timely manner.

The PI's department is responsible for:

- Monitoring sponsored project expenses regularly for unallowable cost.
- Initiating the transferring of unallowable costs from the sponsored project to another appropriate fund in a timely manner.
- Unallowable Cost are transferred and processed by journal entries and will need to be entered on the Departmental Reclass Form. This form is to be emailed to ramsaccounting@wssu.edu when the reclass involves sponsored project to a *non-sponsored* project or vice versa. However, if the reclass is from one sponsored project to an unrestricted Indirect Cost fund, email the form to Contracts and Grants.

Contracts and Grants Accounting is responsible for:

- Reviewing and approving direct costs
- Monitoring sponsored projects for unallowable costs
- Reviewing, approving, and processing (if applicable) of the Departmental Reclass Form for the transferring of unallowable costs.

4. Policy

Costs directly charged to a sponsored project must conform to the terms and conditions of the specific award. To be allowed as a direct cost on a sponsored project, a cost must be:

Allocable: used solely to advance the project work and the amount or percentage of cost can be identified and documented specifically for a particular project or activity.

- Allowable: not subject to any restrictions under Uniform Guidance, sponsor terms and conditions, the specific contract or award agreement, or University policy
- Reasonable: necessary and justifiable for the performance of the award and does not exceed what would be incurred by a prudent person under the same circumstances
- Consistent: treated the same way in like circumstances regardless of the source of funding

Cost share expenses must follow the same terms and conditions. These expenses must also pass the allocable, allowable, reasonable, and consistent tests. If a cost would not be allowed on the sponsored award, then it is also not allowed as a cost share or as an expense on a program income fund.

The Office of Management and Budget developed the Uniform Guidance Cost Principles ([2 CFR, Part 200 Subpart E](#)) to describe the treatment of costs on sponsored project activities (direct and indirect) that can be billed to the federal government. The Uniform Guidance applies to all federally funded projects including federal funding through a non-federal agency. The cost principles also identify those charges that typically cannot be charged to sponsored awards and are considered unallowable expenses.

The OMB Uniform Guidance ([§200.420 through §200.475](#)) lists costs that are allowable and not allowable as an expense on a federal award. Many sponsors have their own policies that address costs that are allowable.

Consistent treatment of direct costs is required on federal awards. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.

Costs Generally Considered Allowable as Direct Costs

- Animals – purchase and care
- Alterations and renovations when approved as part of the proposal.
- Bonding
- Computing devices that are essential and allocable in the performance of a federal award
- Compensation

- Construction, only when approved as part of the proposal
- Consultant/Contractual services
- Customs and import duties for project equipment or supplies
Medicine when part of the scope of the project
- Equipment, based on specific requirements
- Fringe benefits, including leave and pension plan costs
- Publication expenses directly related to the sponsored project
- Registration fees directly related to the sponsored project
- Rental or lease of facilities and equipment
- Salaries and wages, not including administrative and clerical salaries unless approved as part of the project budget; and not including any personnel time spent on proposal development or writing
- Service charges
- Subject/patient costs, including recruitment, compensation, and meals when appropriate
- Materials and supplies
- Telecommunications, specifically itemized long distance calls
- Transportation of project-related property
- Travel

Costs Normally Treated as Indirect Costs (F&A)

- Administrative and clerical salaries
- Audit costs
- Bid and proposal costs
- Computers and electronic devices for general use
- Depreciation or use allowances
- Dues and memberships – any exceptions must be confirmed in advance by Contracts and Grants
- General purpose equipment, non-research equipment, which may be used for general office purposes such as computers, printers, fax machines, copy machines, and office furniture.
- General computer services, networking costs, or other ITS services
- Hazardous waste disposal
- Insurance
- Interest
- Legal services
- Office supplies
- Postage including U.S. Postal Service, Federal Express, UPS
- Staff recruitment and relocation
- Subscriptions, books, journals, and periodicals

- Telecommunications, specifically local telephone service, including phone equipment such as telephones, cell phones, pagers, fax machines, and line charges

Costs Generally Classified as Unallowable

- Alcoholic beverages
- Bad debts
- Termination or suspension costs
- Contingency funds
- Entertainment costs
- Fines and penalties
- Fundraising costs
- Honoraria
- Independent research and development costs, including their proportionate share of F&A costs
- Lobbying
- Salaries and wages, for time spent on proposal development and writing
- Termination or suspension costs

5. Compliance and Enforcement

Contracts & Grants Accounting is responsible for ensuring compliance with this policy.

6. Additional Information

6.1 Supporting Documentation

Federal Cost Principles in [2 CFR 200, Subpart E](#)

[FAO to Assist U.S. DOE Grantees to Appropriately Use Federal Funds for Conferences and Meetings](#)

[DOJ Supplanting Guide Sheet](#)

[Unacceptable Direct Costing Practices](#)

[NSF Allowability of Costs](#)

[UNC System C&G Business Process Standards](#)

[Indirect Cost Policy](#)

6.2 Approval Authority

This policy will be approved by the Associate Vice Chancellor for Financial Services

6.3 Contacts for Additional Information

- Responsible Executive: Caryel Ivy, Director Contracts & Grants Accounting, (336) 750- 2736, ivyem@wssu.edu