

# Allowable Cost

## Guideline Charge

Allowable Costs on federally funded contracts and grants

## Purpose

The following guideline outlines the allowable costs for grants, contracts, and subawards at the University of Texas at Dallas (UTD). The guideline assures compliance with The Office of Management and Budget Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) - [2 CFR Part 220](#).

The Cost Accounting Standards (CAS) and OMB Uniform Guidance provide the basic criteria to determine direct costs on federally sponsored projects.

## Guideline Statement

Regardless of the funding agency, UTD determines cost allowability for sponsored programs based on answering the following questions:

- Are costs allocable, allowable, consistent, and reasonable in like circumstances?
- Allowed by OMB Uniform Guidance
- It serves the grant purpose (instruction, research, public service)
- Allowed by the University's policy

## Definitions

**\*Allocable:** The cost is incurred for the benefit of only one project, or the item can be easily assigned to multiple benefiting projects. A specific project may only be charged that portion of the cost that represents the direct benefit to that project.

**\*Allowable:** Costs must conform to any limitations or exclusions stated in generally accepted accounting principles or in the sponsored agreement; i.e., the cost must be designated as "allowable" and not specifically as "unallowable" by regulation or grant/contract-specific award conditions.

**\*Consistent:** Similar costs are treated as direct or F&A costs when incurred in like circumstances. Costs generally direct charged to a sponsored project should not be included as F&A costs on other projects when incurred for the same purposes. Where UTD treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution.

**\*Reasonable:** Cost is generally recognized as necessary for the performance of the project and one that a prudent person would consider reasonable given the same set of circumstances.

**\*Facilities & Administrative (F&A) Costs:** Costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. F&A costs are synonymous with the term "indirect costs."

**\*Unlike Circumstances:** When a cost is incurred for a purpose outside of the normal practices or activities for that type of cost.

- Costs incurred for the same purposes in like circumstances must be treated consistently as either a direct cost or as an F&A cost. In other words, where UTD treats a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall also be treated as direct costs of all activities of the institution.
- Costs charged to federally sponsored projects which result in inconsistent treatment of direct cost practices will be documented with written justifications supporting Uniform Guidance exceptions of "major project" or "unlike circumstances."
- Identification with the sponsored work, (i.e., the scope of work) rather than the nature of the goods and services involved, is the determining factor in distinguishing direct from F&A costs of sponsored agreements.

## Guidelines for Allowable Costs

The following are roles and responsibilities to ensure no unallowable costs are to be expended on sponsored projects:

### Principal Investigator

### Responsibilities

1. Assume overall responsibility for programmatic aspects and financial stewardship of an award
2. Complete and submit technical reports in a timely manner (interim and final)
3. Initiate proposal submission
4. Initiate request for budget revision
5. Initiate request for no-cost extension
6. Initiate request for cost transfers in accordance with University, as well as federal policy and procedures (OMB circular A-21)
7. Review and accept subaward terms and conditions
8. Review and approve subaward invoices
9. Manage subaward performance
10. Review and approve effort certification
11. Assist with collection efforts on past due invoices, as needed

## Department Administrator

### Responsibilities

1. Act as a liaison between the Principal Investigator (PI) and the Research Office
2. Assist principal investigator with proposal preparation
3. Monitor and reconcile expenditures to ensure allowability, allocability, consistency, and reasonableness
4. Monitor and reconcile balances to ensure spending within budget and to prevent over-expenditures
5. Maintain backup documentation related to expenditures within terms and conditions of the award (record retention)
6. Fund, monitor, track and document cost share commitments
7. Manage and verify effort certification submissions
8. Assist PI with request for budget revision
9. Process cost transfers in a timely manner, in accordance with University and federal policy and procedures (Uniform Guidance)
10. Initiate purchase order request for approved subaward agreements
11. Review subaward invoices to verify funding availability
12. Assist with collection efforts on past due invoices, as needed
13. Review, complete, and submit closeout checklist in a timely manner

## Research-Office of Sponsored Projects(OSP)

### Responsibilities

1. Notify researchers regarding funding opportunities and sponsor policies and procedures.
2. Provide technical assistance to researchers drafting proposals, review proposals, and process proposals for submission to sponsoring agencies.
3. Negotiate terms for awards and contracts.
4. Receive award documents from Sponsor and forward to Post-Award Management for creation of a cost center.
5. Assist with the following post-award administrative functions: re-budgeting, time extensions, and tracking of technical reports.

## Research-Office of Post Award Management(OPM)

### Responsibilities

1. Provides guidance and interpretation of federal regulations, agency specific requirements, and University policies and procedures
2. Establishes new cost center and post-budget for all sponsored projects in conjunction with SFO.
3. Establishes and monitors cost share cost center and budget in conjunction with SFO.
4. Approves expenditures on sponsored projects after PI has approved.
5. Audit expenditure balance and award activity to verify financial compliance with University and sponsor regulations and to ensure allowability, allocability, and reasonableness.
6. Verify and audit cost share in accordance with award terms and conditions
7. Verify data within effort certification submissions in accordance with University policies and procedures
8. Approves cost transfers, PAFs, and Auto JE's to remove unallowable costs and over expenditures
9. Initiate semi-annual effort certification process
10. Provide training, as needed.

## Unallowable Costs

Typically unallowable costs on federal awards:

- Advertising for general promotion of the University, including printed materials, promotional items, memorabilia, gifts, and souvenirs
- Advertising for recruitment purposes that includes color or is excessive in size
- Alcoholic beverages
- Alumni or fund-raising activities
- Antiques
- Bad debt write-offs
- Donations or Contributions
- Commencement expenses
- Cost Overruns
- Costs on Industry, Foreign Government, or Other Non-Government Grants/Contracts
- Decorative objects for private offices
- Entertainment

- Fine/original art
- Fines and penalties
- First-class/business-class air travel differentials
- Flowers
- Gifts, prizes, and awards
- Goods or services for personal use
- Lobbying
- Memberships in airline travel clubs
- Memberships in civic, social, community organizations, or country clubs
- Faculty and exempt staff salary in excess of base rates paid by the institution
- Selling or marketing products or services of the University
- Social events

## Allowable Cost

A cost is allowable when allowed by OMB Uniform Guidance ([OMB 2 CFR Part 220](#)), it serves the grant purpose (instruction, research, public service), federal regulations, and is allowed by [The University of Texas at Dallas Expenditure Policy \(UTDBP3097\)](#)

Such costs are:

- Salaries and fringe benefits of faculty, technicians, post docs, research assistants, and other personnel directly engaged in performing sponsored grant's scope of work
- Laboratory supplies and materials necessary for performing sponsored grant's scope of work
- Other costs such as travel, subcontracts, specialty equipment repairs and maintenance, and other directly related costs necessary for performing sponsored grant's specific scope of work
- Capital equipment that is approved by the sponsor
- Service/maintenance agreements on capital equipment approved by the sponsor

## Proposal Budget Checklist

The purpose of this checklist is to provide principal investigators with a budget development tool for sponsored programs. Costs fall into two major categories—direct costs and facilities and administrative costs (F&A). When developing your budget, be sure to visit Sponsored Projects web site and Post Award Management for further information.

### Direct Costs (Costs Directly Related to the Specific Project)

#### Personnel Costs

##### *Senior Personnel Salaries*

- Principal Investigator (PI) and coPrincipal Investigators (coPIs) that are employed by the University would be accounted for in this category.
- Percentage of effort or personmonths (as required by sponsor) should be noted for all senior personnel on the project.
- Many agencies including the National Institutes of Health (NIH) and NASA do not recognize the concept of coPI but rather to personnel in these positions as coInvestigators (col).
- Annually, Congress legislatively mandates a provision limiting (capping) the direct salary that an individual may receive under an NIH grant.
- No employee may be scheduled for activities in excess of 100% of effort in any given month.
- Sponsored activities may not result in any employees receiving compensation at a rate in excess of their authorized salary or academic rate.
- For multi-year projects, the budget should take into consideration any possible salary increases.

##### *Other Personnel Salaries*

- Employees of the University who will be working on the project, aside from the PI and coPIs, are included in this category.
  - Note that this category may include people who are currently employed by the University as well as those that will be hired when the project is awarded.
  - Classifications for Other Personnel may include other faculty involved on the project, professional staff such as a project director or data analyst, postdoctoral fellows, graduate and undergraduate research assistants.
  - Percentage of effort or personmonths (as required by sponsor) should be noted for all employees on the project.

Fringe Benefits All persons paid to perform work on a grant or contract who are University employees are entitled to receive fringe benefits.

- The Department of Health and Human Services (DHHS) no longer negotiates fringe benefit rates for the University. Fringe benefit costs have been calculated based on historical data.
- The actual costs for fringe benefits are charged (billed) to the sponsored project at the time the costs are incurred; the amount charged is based on salary, selected benefit package, and other variables applicable to the individual employee.
- If the actual fringe benefit expenses for a project exceed the projected amount included in the budget, it is the responsibility of the Principal Investigator to pay these actual costs from the direct award funds provided by the sponsor. The OSP can provide advice in the preparation of budgets.

### Other Direct Costs Typically Associated with Research and/or Training Projects

#### Animal Care

To record payment for animal care services provided by UTD animal care facility.

Faculty who anticipate the use of a particularly large number of research animals or animals requiring special care should consult with the Animal Resources Center staff to see whether the funds estimated will be adequate and whether the Animal Resource Center has adequate facilities to accommodate the animals.

## Capital Expenditures

Equipment means an article of non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per acquisition components, other than on-campus machine-shop labor, used to fabricate an item of capital equipment may be considered as capital equipment for budgeting purposes and should be identified for inventory purposes.

## Computer Software

- Specialized software necessary to the project should be itemized and justified.
- General purpose software (e.g., word processing or spreadsheet software) is not an allowable expense on grants and contracts.

## Consultants

- A consultant is an individual who will provide professional advice or services for the project not available elsewhere within the University.
- Normally, consultants are paid a consulting fee plus travel expenses.
- Many sponsors do not permit payments to consultants and some restrict or limit such payments.
  - If in doubt as to whether consultants are allowed or rates paid to consultants, refer to the Sponsor's program literature or contact the OSP.
  - Whenever possible, identify the proposed consultant by name, indicate the number of days of work, daily rate, and provide a curriculum vitae for the consultant in the proposal.
  - The participation of paid consultants in a sponsored project for periods longer than two weeks should be discussed with the OSP prior to submission of the proposal.
  - Institutional consulting policies are contained in the Consultant's Policy.

## Lab and Medical Supply

- Payments for fuel and lubricants, chemicals and gases, as well as medical supplies.

## Leases and Rentals

- Renting or leasing of office space or office buildings, service buildings, or other rental space, including services in lieu of office or building rent.
- See Rental Equipment for furnishings and equipment

## Materials and Supplies

- This line item details tangible materials and supplies costing less than \$5,000 per unit that are for project specific purposes.
- Agencies generally require itemization of proposed purchases under this category.
- Most computing equipment now falls under this category. Note that purchase of general computing equipment is not an allowable cost on federal grants and contracts; rather, purchase of computing equipment requires a clear explanation of its importance to the project (for example, the project involves large datasets and requires a highend workstation for analysis).

## Meals

NOTE: The cost of food/meals\*while not in travel status\*will normally\*not\*be allowed as a direct charge on federally sponsored (or federal flow-down) projects, as these costs are typically considered a personal expense.

- It is acknowledged that in some circumstances, when the food or beverage cost meets certain criteria, a meal cost may be an allowable charge on a federally sponsored project. In addition to this guidance, always consult sponsor guidance for additional restrictions.
- This includes meal costs incurred for adhoc meetings, working lunches, lab coffee breaks, routine operations, staff meals, recurring weekly /monthly meeting to discuss the progress on an award, meetings to discuss research during lunch or dinner, or otherwise any intramural meetings of an organization or any of its components, including, but not limited to, laboratories, departments, and centers.
- Meals (nontravel) may be directly charged on a grant/contract if it is part of a formal meeting or conference where primary purpose is the dissemination of technical information, directly related to the award. (C CFR 200 - 200.432). In such cases:
  - Document the purpose of the meeting
  - Retain a copy of the formal agenda
  - Retain a list of attendees, both internal and external
  - If known in advance, include the cost in the proposal with justification for approval by the Agency
  - It is also permissible to charge the "reasonable" costs of the meals of a visiting researcher to the award, if the purpose of the visit is collaboration on the specific grant/contract; the associated meal expenses for the UD PI is unallowable on the award but may be charged to the departmental general funds or discretionary accounts.

Note that sponsors may place more stringent restrictions than specified in this procedure; refer to the terms and conditions outlined in the notice of award for requirements and/or treatment of such costs.

- [NIH](#) – see Grants Policy Statement Part II-Section A.7.9.1 (Selected Items of Cost), Part II Section B 11.3.8.4 (Training related expenses for institutional training grants and Part II Section B.14.10.1 Allowable Costs (Support of Scientific Meetings/Conference Grants).
- [HHS](#) Policy on the Use of Appropriated Funds for Food.
- [NSF](#) Proposal and Award Policies and Procedures Guide Part II, Award & Administration Guide

## Section V-C-5

"5. Meetings and Conferences. The points below summarize the allowability of various items of cost associated with conferences, symposia, workshops, or other meetings supported by an NSF grant. Any costs charged to an NSF grant also need to be reasonable and directly allocable to the supported activity. See AAG Chapter VI.G.5 for funding limitations on international travel grants. Meeting and conference costs identified below, are only allowable if such costs are specifically and clearly identified in the proposed scope of work and budget, as modified and approved by NSF. NSF funds are not to be spent for meals or coffee breaks for intramural meetings of an organization or any of its components, including, but not limited to, laboratories, departments and centers, as a direct cost."

### **Section V-C-5-g**

"g. Meals and Coffee Breaks. When certain meals are an integral and necessary part of a conference (e.g., working meals where business is transacted), grant funds may be used for such meals. Grant funds may also be used for furnishing a reasonable amount of hot beverages or soft drinks to conference participants and attendees during periodic coffee breaks."

### **Section V-C-5-i**

"i. Entertainment. Costs of entertainment, amusement, diversion, and social activities, and any costs directly associated with such costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities) are unallowable. Travel, meal, and hotel expenses of awardee employees who are not on travel status are unallowable. Costs of employees on travel status are limited to those allowed under the governing cost principles for travel expenses. (See AAG Chapter V.B.4)."

- [Dept of Defense](#)– (also see [Federal Acquisition Regulation 31.205-14](#)).
- [Dept of Education](http://www.virginia.edu/sponsoredprograms/compliance/DeptEdMemo.pdf)–[Memorandum to Grantees Regarding the Use of Project Funds for Conferences and Meetings](#)
- "A grantee hosting a meeting or conference may not use grant funds to pay for food for conference attendees unless doing so is necessary to accomplish legitimate meeting or conference business. A working lunch is an example of a cost for food that might be allowable under a Federal grant if attendance at the lunch is needed to ensure the full participation by conference attendees in essential discussions and speeches concerning the purpose of the conference and to achieve the goals and objectives of the project."

### **Postage**

- General postage costs are not allowable on federal grants and contracts.
- Activities specific to the project such as a mail survey or outreach efforts to participants and their families would qualify postage as a legitimate grant or contract charge.

### **Photocopy Charges**

- General copying charges are not allowable on federal grants and contracts.
- Copying charges for materials directly related to the project, such as training materials or survey instruments, would be allowable charges.

### **Professional Services**

- Services rendered on a fee, contract, or other basis by a person, firm, corporation or, company recognized as possessing a high degrees of learning and responsibility in an area not mentioned under other expenditure codes.
- Guest lecturers providing lecture services to the university. Travel expenses incurred by vendor should be included as part of the total cost of services.
- This may be only used by Institutions of Higher Education.
  - This should not be used for subject payments.

### **Publication/Page Charges**

- Costs of producing publications required by the sponsor such as monographs would be under this category.
- Typical costs also included in this category are graphic design, photography, journal page charges and other vehicles for dissemination of research results.
  - Keeping in mind that page charges may vary from journal to journal. Consider both page charges and reprint costs.

### **Rental Equipment**

- Rental and lease of furnishings and equipment, office equipment, computer equipment, and media material.
- See Leases and Rentals for Office space/buildings

### **Scholarships**

- Scholarships, fellowships, and other programs of student aid are allowable only when the purpose of the federal award is to provide training to selected participants and the charge is approved by the federal awarding agency.

### **Stipends**

- Stipends are monetary assistance provided to students who have no obligation to work for the money they are provided.
- Note that stipends are only allowed by the University when required by the sponsor; the vast majority of students involved as research assistants on sponsored programs will be paid a salary rather than a stipend.

### **Subcontracts**

- When a proposal contemplates a subcontract/subrecipient agreement to a named subcontractor, the subcontractor's statement of work, detailed budget, and a letter of commitment signed by the subcontractor's authorized institutional representative, should be provided to OSP.
- If the Principal Investigator(s) (PIs) has any direct or indirect financial or other interest in the subcontractor/subrecipient organization, a disclosing statement must be submitted to the OSP, as well.
- For clarification between a subcontractor, vendor, and consultant, please visit: <https://research.utdallas.edu/opm/sub-award-management>.

## Subject Payments

- This category includes items such as research subject payments or incentives.
- The methods for providing such incentives should be outlined thoroughly in the budget justification.
- Some sponsors, most notably the National Science Foundation (NSF), use this category to denote project trainees or workshop attendees, and there are specific costs associated such as stipends, travel, and material costs for participants.

## Student Support

- Payment for scholarships or fellowships that pay for tuition and fees directly. This includes GSS, AES and 3rd party.
- Scholarship/stipends that are used to pay a set amount. It could be used to pay tuition and fees if some other funding is paying for the student's tuition and fees.
- Participant Support: Costs used to pay program participant small non-compensatory stipends and possibly reimbursement of travel costs or other out-of-pocket costs incurred to support attendance at a workshop, conference, seminar, symposia, or other short-term training or information sharing activity.

## Student Participant

**Pay program participant small non-compensatory stipends and possibly reimbursement of travel costs or other out-of-pocket costs incurred to support attendance at a workshop, conference, seminar, symposia, or other short-term training or information sharing activity in support for the objective of obtaining a degree.**

## Telecommunication Charges

- Payment of parts with a purchase value per part under \$5,000 and supplies for telecommunications equipment.
- Rental or lease of telephones, telephone systems, and other telecommunications equipment.
- This category usually consists of longdistance telephone charges directly associated with the project. For example, projects involving telephone surveys of participants throughout the United States would be an allowable charge.
  - Other potential items under this category may include mobile telephones or other electronic devices under special circumstances. For example, if the proposed project involves project-related travel in rural areas and mobile telephones are necessary to maintain contact with project personnel, this may be an allowable expense. Expenses of this nature will need to be carefully justified in the proposal and specifically approved by the sponsor.

## Travel

- Travel which is required to carry out the objective of the sponsored project.
- Domestic and foreign travel associated with the proposed project should be specified.
- If foreign travel is not specified in the budget, the University must request prior approval for such travel from the sponsor.
- Some agencies define Mexico and/or Canada as domestic travel.
- Typical travel costs supported by sponsors include airfare, lodging and incidental expenses (per diem), conference registration costs, and local travel costs such as car rental.
- It is highly recommended that PIs be as specific as possible when providing justification for proposed travel costs (for example, discuss the professional conferences that fit best in terms of disseminating information about the project, where they will be occurring and costs associated with each.) Travel is often one of the first line items sponsors automatically reduce, but a complete explanation of the necessity to the project may convince the sponsor otherwise.
  - Travel rates can be located at <https://fmx.cpa.state.tx.us/fmx/travel/index.php>

## Tuition

- See Student Support

## Utilities

- Payments for electrical utilities, natural and liquefied petroleum gas, water, purchased thermal energy, etc.
- This code does not include utilities charged under a rental agreement. These charges should be coded as rent.

## Facilities and Administrative Costs (a.k.a. Indirect Costs, Overhead, Tax)

Facilities and administrative costs must be included using the University's federally-negotiated rates unless the sponsor has a written policy applicable to all potential proposers which deviates from these rates. All deviations are subject to UT Dallas administrative approval. Sponsor guidelines limiting facilities and administrative costs must be provided with your proposal. To calculate the facilities and administrative costs for a project, do the following: Calculate the Total Direct Costs (TDC) which is simply the sum of all direct costs:

- salaries
- benefits
- supplies
- equipment
- et cetera

Calculate the Modified Total Direct Cost (MTDC) by subtracting the following exempt items from the TDC:

- capital equipment
- graduate student tuition and required fees
- participant support costs
- subcontract/subrecipient agreement costs in excess of the first \$25,000 of each subcontract/subrecipient agreement over the life of the subcontract/subrecipient agreement

Multiply the F&A rate against the MTDC base to calculate the facilities and administrative costs for the project. Add the TDC to the F&A costs to calculate the Total Project Costs. Summary:

- $TDC - \text{exemptions} = MTDC$
- $MTDC \times F\&A \text{ rate} = F\&A \text{ costs}$
- $TDC + F\&A \text{ costs} = \text{Total Project Costs}$

## Other Budget Considerations

UTD Cost Sharing

Cost Sharing is defined as committed resources that are NOT funded in a research agreement. Common examples include salary costs in excess of the NIH salary cap and committed but unfunded effort. This cost share is funded by a departmental account. On all grants, no cost sharing commitments may be submitted unless specifically approved by the respective Dean.

- Methods of cost sharing:
  - Cash: the recipient's cash outlay contributions under the direct control of the recipient
  - In-Kind: value of non-cash contributions provided by non-Federal third parties, not in control of the recipient
  - Volunteer services – based on rates paid for similar work; associated benefits; cannot include F&A
  - Donated equipment and supplies – at current fair market value

Since in-kind expenses are not expenditures made by the university, documentation must include the value of the donated equipment, supplies, and/or volunteer services. Types of cost sharing:

- Mandatory Cost Sharing: the portion of the university's contribution to a sponsored project which is required by the terms of the project. It must be included or a proposal will receive no consideration by the sponsor.
- Voluntary Committed Cost Sharing: Those resources that are committed and budgeted for in a sponsored agreement.
  - i.e. Salary amounts in excess of sponsor salary cap and associated benefits
- Unordered List Item Voluntary Uncommitted Cost Sharing: Expenses that are over and above that which is committed and budgeted.
  - i.e. Expenses incurred above the budgeted cost share

## Policy Links

[Allowable Cost on federally funded Contracts and Grants](#)

[The University of Texas at Dallas Expenditure Policy \(UTDBP3097\)](#)

[OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)

[OMB 2 CFR Part 220](#)

[Cost Accounting Standards \(CAS\)](#)

[The Office of Sponsored Projects](#)

Issued: June 2015