

Grant Allowable Cost Policy

This policy, in conjunction with St. Norbert College's Travel and Expense Reimbursement Policy, provides guidance to ensure the consistent treatment of grant-related costs and to facilitate an understanding of allowable costs for federal grant awards. The Principal Investigator (PI), or authorized designee, is responsible for determining whether expenditures are allowable, reasonable, and allocable to the award. The PI is responsible for approving expenditures and providing justification for each transaction.

Types of Costs

There are two types of costs related to grants: direct cost and indirect costs.

Direct Costs: Direct costs are expenses that are specifically associated with a particular sponsored project and can be directly assigned to such activities easily with a high degree of accuracy.

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

Allowable Costs

A direct cost must meet the allowable cost criteria in order to be charged to grants. OMB Circular A-21: "Cost Principles for Educational Institutions" provides the regulations for determining the costs on federally sponsored projects. However, each awarding agency can establish its own terms and conditions which take precedence over the provisions of A-21. An allowable cost is a cost that can be charged or assigned to a sponsored program. All expenditures charged to sponsored programs must meet the criteria of reasonable, allocable, consistent and allowable.

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 costs.

Allocable: A cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received. For a cost to be allocable it must be incurred specifically for the award; benefit the award and other work distributed in a reasonable proportion; and it is necessary to the overall operation of the College and is assignable in part to the award.

Consistent: A cost is consistent if similar expenses are treated the same in similar circumstances.

Allowable: A cost is allowable if it is fully in line with the respective sponsored agreement.

Costs also must be determined in accordance with GAAP, conform to any limitations or exclusions set forth in the award, not be included as a cost or used to meet cost sharing or

matching requirements of any other federally-financed program in either the current or a prior period, and be adequately documented.

If cost is greater than the Simplified Acquisition Threshold (currently \$150,000) rate quotations must be obtained from an adequate number of qualified sources. The “adequate number” of qualified sources will be a matter of judgment.

Unallowable Costs

Costs that fail to pass one or more of the allowable tests above, are considered unallowable costs. In the event that a PI proposes to charge a direct cost to a grant that does not pass the allowable tests, the PI must obtain written approval from the cognizant agency. General office items with multifunctional use (computers, fax machines, file cabinets, chairs, desks, etc.) that do not have a direct relationship to a specific sponsored project’s scope of work are examples of unallowable costs. These are indirect costs.