

## ALLOWABLE COSTS ON FEDERAL GRANTS

### **Purpose:**

The purpose of this policy is to ensure that Lewis University complies with the Federal Office of Management and Budget (OMB) standards regarding direct costs on projects funded by agencies of the federal government.

### **Summary:**

Direct costs charged to any external grant must be allowable, allocable, and reasonable.

OMB provides the standards to which federal grants must conform in 2 CFR 220 “Cost Principles for Educational Organizations” and in 2 CFR 215 “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.”

It is the responsibility of the Principal Investigator/Program Director, with the assistance of the Office of Sponsored Programs, to ensure that all costs charged to any external grant meet the guidance of the sponsor.

### **Definitions:**

*Direct costs* are costs associated with a specific sponsored project that can be directly assigned to essential activities with relative ease and a high degree of accuracy. They include such costs as personnel (salaries and fringe benefits), supplies, equipment, travel, and other expenses necessary to the conduct of sponsored activities (Circular A-21, Sect. D1). Direct Costs typically including the following items:

#### Personnel Costs

Salary/Wages

Fringe Benefits

#### Non-Personnel Costs

Consumable Supplies

Equipment

Subawards/Subcontracts

Other Costs (may include tuition, non-consumable supplies, and other goods/services)

*Allowable costs* must be authorized for payment under the terms of the award made by the sponsor (Circular A-21: Section C2). The tests as to whether a cost is allowable are as follows:

- a. the cost must be reasonable;
- b. it must be possible to allocate the cost to a sponsored project using the principles and methods provided by the federal or state regulations;

- c. the cost must be given consistent treatment by application of generally accepted accounting principles appropriate to the circumstances and in compliance with Lewis University's accounting practices; and,
- d. the cost must conform to any limitations or exclusions set forth in Circular A-21, the award document, the sponsoring agency's guidelines in terms of types or amounts of cost

d. whether or not the actions taken to incur the cost are consistent with established