

CCS Administrative Procedure

1.50.02-H Cost Principles for Federal Awards

Implementing Board Policy [1.50.02](#)

Contact: Office of the Provost, 434-5062

1.0 Purpose

Under the [Code of Federal Regulations 2 CFR 200, Subpart E-Cost Principles §200.400 Policy Guide](#), CCS, as a recipient of Federal awards, is responsible for the efficient and effective administration of the awards through the application of sound management practices. CCS assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. CCS also is responsible for employing sound organization and management techniques necessary to fulfill our requirements of the award, taking into consideration our unique combination of staff, facilities, and experience.

This procedure provides guidance on the basic considerations regarding costs charged to a Federal award. The total cost of a Federal award is the sum of allowable direct and allocable indirect costs. Federal awards that require CCS matching funds or cost sharing or include program income are subject to the same basic considerations and cost principles as the awards afforded the full Federal share of a grant or contract.

2.0 Application of the Cost Principles for Federal Awards

These principles must be used in determining the allowable costs of work performed by CCS under Federal awards. These principles also must be used by CCS as a guide in the pricing of contracts and subcontracts where costs are used in determining the appropriate price ([2 CFR §200.401](#)). The principles do not apply to:

- 2.1 Arrangements under which Federal financing is in the form of loans, scholarships, fellowships, traineeships, or other fixed amounts based on such items as education allowance or published tuition rates and fees.
- 2.2 For Institutions of Higher Education (IHE), capitation awards, which are awards based on case counts or number of beneficiaries according to the terms and conditions of the Federal award.
- 2.3 Fixed amount awards from a federal agency. See also Subpart A—Acronyms and Definitions, §§200.45 Fixed amount awards and 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.
- 2.4 Federal awards to hospitals (see Appendix IX to Part 200—Hospital Cost Principles).
- 2.5 Other awards under which the non-Federal entity is not required to account to the Federal Government for actual costs incurred.

2.6 Definitions

- 2.6.1 Cost Reasonableness: 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 is made to incur the cost. See [2 CFR §200.404](#) for major considerations involved in the determination of the reasonableness of a cost.
- 2.6.2 Cost Allocability: Allocable costs are expenses which may be assigned or charged to one or more sponsored project cost objectives, in accordance with the relative benefits received or other equitable relationship. Project costs must advance, benefit, or be necessary for the sponsored agreement to be allocable. See [2 CFR §200.405](#).

- 2.6.3** Cost Allowability: According to [2 CFR §200.403](#), a cost may be charged to a sponsored agreement only if it meets all the following criteria:
- 2.6.3.1** The cost is necessary and reasonable for the performance of the federal award and is allocable to the sponsored project under these principles.
 - 2.6.3.2** The cost conforms to any limitations or exclusions set forth in [2 CFR §200.403](#) or in the federal award as to types or amount of cost item
 - 2.6.3.3** The cost is consistent with policies and procedures that apply uniformly to both federally-financed and other CCS activities.
 - 2.6.3.4** The cost is accorded consistent treatment. 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.
 - 2.6.3.5** The cost is determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in [2 CFR §200.403](#).
 - 2.6.3.6** The cost is not 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. See also [2 CFR §200.306\(b\)](#).
 - 2.6.3.7** The cost is adequately documented. See also [2 CFR §200.300-309](#).
- 2.6.4** Total Cost: The total cost of a Federal award is the sum of the allowable direct and allocable indirect (F&A) costs, less any applicable credits.
- 2.6.5** Applicable Credits: Applicable credits refer to those receipts or reduction-of-expenditure type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs. Examples of such transactions are purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accrued to or received by CCS relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.
- 2.6.6** Direct Costs: Direct costs are those costs that can be identified specifically with a particular final cost objective - such as a Federal award, or other internally or externally funded activity - or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs. See [2 CFR §200.413](#).
- 2.6.7** Indirect Costs: Costs incurred for a common or joint purpose benefiting more than one cost objective, not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved.
- 2.6.8** Facilities and Administrative (F&A) Classification: Indirect F&A costs must be classified within two broad categories: "Facilities" and "Administration." ([2 CFR §200.414](#)) "Facilities" is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of "Facilities." For IHE, Library is included in the "Facilities" category.

- 2.7 CCS must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, CCS must make independent estimates before receiving bids or proposals. See [2 CFR §200.324 \(a\)](#).

3.0 Roles and Responsibilities of Principal Investigators and Their Supervising Administrator(s)

- 3.1 CCS Implementing Board Policy 1.50.02 assigns primary responsibility for all grant compliance to principal investigators (PIs) and their Departmental Dean, Director, or supervisor. This requires the development of significant expertise at the department level and relies heavily on PIs and departmental staff to comply with CCS policies and various grant sponsor rules and regulations.
- 3.2 Part of the CCS post-award administration responsibilities for grants and contracts includes a determination as to the allowability, reasonableness, and allocability of costs charged to each Federal program.
- 3.3 The Department Administrator is responsible for ensuring that the costs charged to federal grants are compliant with the requirements set in this procedure and with any specific requirements set by the awarding agency in the grant documents.
- 3.4 The **Federal Grant Expenditure Verification Form (Appendix A)** provides verification that the basic cost considerations for federal grants have been met. The Department Administrator must certify all federal grant expenditures by completing this form and attaching it to the purchasing documentation (such as an invoice or a receipt). CCS Business Office will **not** process payments or reimbursements for federal grant expenditures without the federal expenditure verification form being attached to the payment request.

4.0 Cost Application and Distribution

- 4.1 Direct Cost Application to Federal awards: Identification with the Federal award, rather than the nature of the goods and services involved, is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards ([2 CFR §200.413\(b\)](#)). Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, and the costs of materials and other items of expense incurred for the Federal award. If directly related to a specific award, certain costs that otherwise would be treated as indirect (F&A) costs may also include extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities, or other institutional service operations.
- 4.2 Distribution of Direct Costs: [OMB CFR 220](#) (Cost Principles for Educational Institutions, old OMB Circular A-21) provides two methods for allocating an allowable direct cost to two or more sponsored projects: the proportional benefit rule and the interrelationship rule.
- 4.2.1 Proportional Benefit Rule: The proportional benefit rule applies when a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost. The department allocates the cost according to the proportion of benefit provided to each project. Example: The department might allocate the cost of laboratory supplies based upon the quantity used (or planned to be used) on each project.
- 4.2.2 Interrelationship Rule: The interrelationship rule applies when a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved. The department distributes the cost on any reasonable basis because the proportional benefit cannot be quantified and identified to the individual projects.

5.0 Unacceptable direct charging practices are as follows:

- 5.1 Purchasing items only to spend out remaining funds without prior approval from CCS AOR and funding agency.
- 5.2 Rotating costs among projects based on budget availability and not based on allocation of use.
- 5.3 Charging the budget amount (in contrast to charging an amount based on actual costs/usage).
- 5.4 Assigning charges to an award before the cost is incurred or after an award expires (except as an encumbrance).
- 5.5 Charging an expense solely to an award when the expense has supported other activities/awards.
- 5.6 Applying a "departmental tax or charge" to projects for clerical, secretarial, and administrative costs.
- 5.7 Creating recharge accounts, such as clerical and administrative/secretarial support pools, to circumvent direct-charging regulations.
- 5.8 Unacceptable direct charging practices are mitigated by the use of the form in Appendix A. In addition, budgetary controls are established to ensure that actual expenditures adhere to the specifications of the award.

6.0 Administrative Costs

The following guidelines apply to the determination of departmental administrative costs as direct or indirect costs:

- 6.1 In developing the departmental administration cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or F&A costs. For example, salaries of technical staff, laboratory supplies (e.g., chemicals), telephone toll charges, animals, animal care costs, computer costs, travel costs, and specialized shop costs shall be treated as direct cost wherever identifiable to a particular cost objective. Direct charging of these costs may be accomplished through specific identification of individual costs to benefiting cost objectives, or through recharge centers or specialized service facilities, as appropriate under the circumstances.
- 6.2 The salaries of administrative and clerical staff should normally be treated as F&A costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. "Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments.
- 6.3 Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A costs, unless specifically budgeted and approved by a Federal Agency.
- 6.4 CCS has a Negotiated Indirect Cost Rate. Indirect costs are calculated and charged by the CCS Business Office.

7.0 Consistent Treatment of Costs

Consistent treatment of costs is a basic cost accounting principle. Federal guidelines specifically require consistency to ensure that the same types of costs are not charged to grants and contracts as both direct and indirect or (F&A) costs. This requirement ensures that the federal sponsor is not paying twice for the same costs in like circumstances. ([2 CFR §200.403\(d\)](#) and [2 CFR §200.419](#)).

- 7.1 CCS uses the form in Appendix A to facilitate consistent treatment of costs. The indirect cost rate is based on salary and benefits for the indirect calculation.

8.0 Limitation on allowance of costs

Federal awards may be subject to statutory requirements that limit the allowability of costs. When the maximum amount allowable under a limitation is less than the total amount determined in accordance with the principles in this part, the amount not recoverable under a Federal award may not be charged to [that or any other] Federal award. For example, if an agency caps the amount of institutional base salary that can be used to calculate the costs of effort on a grant, individuals with a salary that exceeds the cap cannot charge the remainder of their salary from effort on that award to this or any other Federal award. ([2 CFR §200.408](#)). Refer to [2 CFR §200.420-475](#) and **Appendix B** for a list of selected items of cost (direct or indirect) that are either unallowable or require exceptions or conditions in order to be considered allowable.

- 8.1 CCS follows the rules of the specific federal grant regarding allowable costs. The budget is established with the grantor requirements to secure the objective of the award.

9.0 Prior Written Approval

Under certain circumstances, the reasonableness and allocability of particular items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or no allocability, the PI should notify the CCS AOR and should seek the prior written approval from the Federal funding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement ([2 CFR §200.407](#)).

The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances in the [2 CFR §200.407](#) or within the federal funder guidelines. See **Appendix C** – Costs Requiring Prior Written Approval.

If equipment has been itemized in the approved proposal budget, additional agency approval is generally not required. However, certain agencies require additional approval by the agency coordinating officer. Contact CCS Budget Office with equipment questions.

10.0 Unallowable Costs

Per [2 CFR §200.410](#), payments made for direct or indirect costs determined to be unallowable must be refunded (including interest) to the Federal government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. Payments made for costs are determined using budgetary controls that enable CCS to monitor and manage expenditures.

If unallowable expenditures are identified, the Business Office will process any grant transfer within 30-60 days. The appropriate report and accompanying documentation showing the amounts of the transfer and any communication with the PI must be submitted.

11.0 Related Information

- 11.1 Electronic Code of Federal Regulations (eCFR) Title 2: Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [Part 2 CFR 200 Subpart E - Cost Principles](#)
- 11.2 Cost Principles for Educational Institutions [2 CFR Part 220](#)
- 11.3 [Grants & Sponsored Research Administrative Policies](#)
- 11.4 [Post Award/Compliance Guidance and Training](#)
- 11.5 Appendix A – [Federal Grant Expenditure Verification Form](#)
- 11.6 Appendix B – [Selected Items of Cost with Limitations](#)
- 11.7 Appendix C – [Costs Requiring Prior Written Approval](#)

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Appendix A: FEDERAL GRANT EXPENDITURE VERIFICATION FORM

Grant Name: _____ Grant Award Number: _____

Vendor/Invoice/Statement _____

Amount * _____ Date _____

1. Is the cost ALLOWABLE based on Federal, State, local and grant specific rules? (Under CFR §200 Section E) (See list of Allowable and Unallowable costs.)

YES/NO _____
Why? _____

2. Is the cost NECESSARY & REASONABLE based on Federal, State and local rules (Under CFR §200 Section E)?

YES/NO _____
Why? _____

3. Cost is ALLOCATED:

a. The cost is ALLOCATED completely to the Grant program as explained Under CFR §200 Section E.

YES/NO _____

The expenditure is incurred solely to advance the work under the grant, or it is a purchase of equipment specifically authorized under the grant?

b. The cost is ALLOCATED between all benefitting programs according to CFR §200 Section E

YES/NO _____

(Is there a Cost Allocation Plan that is applied consistently to all expenditures?) *It benefits both the grant and other work of the college in proportions that can be approximated through use of reasonable methods.*

4. The cost is a DIRECT cost of the Grant program

YES/NO _____

5. The proper DOCUMENTATION and SIGNATURES have been attached (CFR §200, Section E)

YES/NO _____

Preparer: _____ Date: _____

Title: _____

Multiple expenditures could be aggregated for certification purpose as long as the total is less than \$1,000 and the allocation method is the same for all of them.

Appendix B - Costs with Limitations [2 CFR §200.420-475](#)

The following list includes some, but not all, costs that have principles that are to be applied to them in order to determine the extent of allowability:

- §200.421 Advertising and public relations;
- §200.425 Audit services (except Single Audits);
- §200.427 Bonding costs;
- §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements;
- §200.436 Depreciation;
- §200.439 Equipment and other capital expenditures;
- §200.442 Fund raising and investment management costs;
- §200.443 Gains and losses on disposition of depreciable assets;
- §200.444 General costs of government;
- §200.446 Idle facilities and idle capacity;
- §200.447 Insurance and indemnification;
- §200.454 Memberships, subscriptions, and professional activity costs;
- §200.458 Pre-award costs;
- §200.459 Professional service costs;
- §200.463 Recruiting costs;
- §200.464 Relocation costs of employees;
- §200.465 Rental costs of real property and equipment;
- §200.466 Scholarships and student aid costs;
- §200.467 Selling and marketing costs;
- §200.468 Specialized service facilities;
- §200.470 Taxes;
- §200.471 Termination costs; and
- §200.474 Travel costs.

Appendix C – Costs Requiring Prior Written Approval – [2 CFR §200.407](#)

Prior written approval may be required for certain items in the following categories:

- §200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts;
- §200.306 Cost sharing or matching;
- §200.307 Program income;
- §200.308 Revision of budget and program plans;
- §200.332 Fixed amount subawards;
- §200.413 Direct costs;
- §200.430 Compensation-personal services;
- §200.431 Compensation-fringe benefits;
- §200.438 Entertainment costs;
- §200.439 Equipment and other capital expenditures;
- §200.440 Exchange rates;
- §200.441 Fines, penalties, damages and other settlements;
- §200.442 Fund raising and investment management costs;
- §200.445 Goods or services for personal use;
- §200.447 Insurance and indemnification;
- §200.454 Memberships, subscriptions, and professional activity costs;
- §200.455 Organization costs;
- §200.456 Participant support costs;
- §200.458 Pre-award costs;
- §200.462 Rearrangement and reconversion costs;
- §200.467 Selling and marketing costs; and
- §200.474 Travel costs.