A. Definitions.

A-1. Allowable Costs. For a cost to be regarded as an allowable charge to a sponsored project, it must satisfy four conditions per federal regulation 2 CFR 200 or any future federal guidance as may become applicable:

- **Reasonable.** A cost is considered reasonable if the nature and the amount involved for goods or services acquired or applied reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. (OMB Circular A-21, §C3; 2 CFR 200.404).

- **Allocable to sponsored agreements under the principles and methods provided in OMB Circular A-21.** A cost is considered allocable to a particular project if the goods or services involved are chargeable or assignable to the project in accordance with relative benefit received or other equitable relationship. Subject to the foregoing, a cost is considered allocable if:
  - It is incurred solely to advance the work under the sponsored agreement;
  - It benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or
  - It is necessary to the overall operation of the institution and is deemed to be assignable in part to sponsored projects (OMB Circular A-21, §C4; 2 CFR 200.405).

- **Consistently Applied.** Costs must be given consistent treatment by through application of generally accepted accounting principles appropriate to the circumstances applying them uniformly to both federally-financed and other activities of the institution (OMB Circular A-21, §C10-C11; 2 CFR 200.403(b)).

- **Conforming to any limitations or exclusions.** Costs must conform to any limitations as set forth in OMB Circular A-21 the federal guidance, or in the sponsored award itself, as to types or amounts of cost items (OMB Circular A-21, §C2; OMB Circular A-21, §C2; 2 CFR 200.403(b)). OMB Circular A-21 designates certain costs are designated as expressly unallowable (OMB Circular A-21, §J).

A-2. Unallowable Costs. Costs that fail to meet any of the four conditions described above must will be treated as unallowable. Questions regarding the allowability of costs should be directed to the Office of Sponsored Programs, (208) 885-6651 or emailed to osp-cost@uidaho.edu.

A tool, the OSP Expense Justification Tool, is available on Vandal Web which provides details on UI expense codes that are expressly unallowable, or are normally considered to be indirect costs (consistent treatment). Look under the Office of Sponsored Programs tab on VandalWeb for the OSP Expense Justification Tool.
B. Policy. The University, as a recipient of sponsored project funding, must comply with all regulations and standards established by the federal government and other sponsoring agencies. The Office of Management and Budget (OMB) is responsible for Circular A-21, Cost Principles for Educational Institutions (OMB Circular A-21) setting forth the general principles and practices for federal costing standards associated with federally sponsored project activity.

All sponsored projects are subject to regular review and any expenses charged against sponsored projects must be consistent with Circular A-21 federal guidance, University policies and procedures, and sponsor regulations. The primary responsibility for ensuring that only proper expenditures are charged to sponsored project budgets rests with the Principal Investigator (PI). The Office of Sponsored Programs (OSP) is responsible for monitoring adherence to all federal, state, and other cost-related restrictions on sponsored projects via the methods detailed in Section D.

B-1. Responsibility for Compliance. The general University mandate is that all employees act as responsible stewards of resources and assets under their control (FSH 3170).

a. Principal Investigator (PI). Under UI policy, the PI bears the primary responsibility for ensuring the appropriateness or allowability of all costs on sponsored projects. (FSH 5100, Section H-3).

b. A Grant Administrator (GA) is charged with assisting PIs in reviewing, justifying, charging and tracking costs, and is also responsible for making certain that expenditures are charged against awards in a manner that is consistent with applicable federal regulations, sponsor conditions, and University policies.

c. The Unit Administrator (department chair/head/director) is responsible for implementing procedures to ensure adherence to federal cost principles including allowability, accounting regulations, and University policies. Payment for unallowable charges which have been determined to be unallowable to sponsored projects which are subject to the expenditure requirements articulated by OMB Circular A-21, are the responsibility of the sponsoring unit or college for payment. (FSH 5100, Section F-5).

d. Oversight of these procedures lies within the authority of the College Deans, for units, and the Vice President for Research and Economic Development, for institutes. Decisions regarding the source(s) of repayment of unallowable costs and any penalties and interest charges shall be made by the Dean and/or the Vice President for Research and Economic Development.

e. Employees are encouraged to use the confidential hotline, speak to the Ombuds Office, or speak with their direct supervisor, college finance director, chair, director, dean or OSP in cases where there is undue influence to process charges that are unallowable. Employees should note that protections are afforded through federal and University policies to prevent retaliation in such instances. It is a violation of University policy for any employee to engage in retaliatory conduct, see FSH 3810. As public employees, University faculty and staff are responsible for reporting any actions by University employees that are illegal or incompatible with the conscientious management of resources and assets of, or entrusted to, the university. (FSH 3170, Section C).

C. Process/Procedures. Expenditures incurred for sponsored projects typically fall into one of the following classifications: salaries; fringe benefits; temporary hourly employees; travel; operating expenditures; equipment <$5k; capital outlay> $5k; subcontracts; and tuition remission, fees, stipends and Student Health Insurance Program (SHIP). The following
guidelines provide assistance to assure that all charges against sponsored projects are correctly processed.

C-1. Salaries.

- For externally-sponsored awards an individual’s rate of pay may not be charged in excess of the institutional base salary rate received for that individual’s regular appointment.
- Payroll expenditures and changes to an individual’s effort percentage are to be processed in a timely manner through Banner Electronic Personnel Action Forms (EPAFs).
- EPAFs to terminate personnel from sponsored projects must be processed prior to the award end date to reduce the necessity for payroll cost transfers.
- EPAF and any Banner records must accurately reflect the percentage of time individuals are working on a given project and be verified regularly via Personnel Activity Reports (PARs) as per APM 45.09.
- Payroll and budget reports should be produced and reviewed regularly to ensure that projects are not over budget.
- Any compensatory leave and/or other leave must be charged to the appropriate budgets, as it is taken. Any compensatory leave and/or other leave balance remaining after the termination of an award must be paid from the unit’s budget and may not be charged to another sponsored project.
- Sick and Annual All leave is to be charged to the appropriate budgets, as it is taken. Terminal leave is paid through a consolidated fringe benefit rate. See C-2, as negotiated annually or as required with the Department of Health and Human Services. Rates are assigned based on the employee’s position class of faculty, staff, or student. Check the OSP website for current rates. Any terminal leave is covered by the fringe pool.
- All employees who are paid in whole or in part from sponsored projects, federal funding, or committed cost share must complete a PAR as per APM 45.09.
- For guidelines on Faculty Summer Salary Release, see http://www.uidaho.edu/provost/policyguidelines/salaryinformation
  http://www.uidaho.edu/provost/policyguidelines/salary

C-2. Fringe Benefits.

- Estimated fringe benefit rates may change each year and should be verified when preparing proposal budgets. A fringe benefit pool has been established. It will be adjusted per federal guidelines. Refer to The university pays fringe benefits through a consolidated rate negotiated annually or as required with the Department of Health and Human Services. Rates are assigned based on the employee’s position class of faculty, staff, or student. Check the OSP website for current rates.
- Check the OSP website for the current estimated fringe benefit rates.

C-3. Temporary Hourly (TH) Employees.

- The guidelines issued above for Salaries are also applicable to TH employees.

C-4. Travel.

- The purpose of travel must be in direct support of project objectives.
- Travel must take place within the time period of the project.
• Reservations or airline tickets cannot be purchased with sponsored project funds if the actual travel occurs before the start date or after the termination date of the project.
• All travel charges must be documented by receipts.
• Allowable travel expense rates must comply with UI travel policy, the terms of the agreement, or agency requirements, if more restrictive.
• All foreign travel must be registered with the International Programs Office before travel is undertaken.
• All foreign air travel on federal funds must comply with the Fly America Act. A link to this Act, and additional information are available on the OSP website.

C-5. Operating Expenditures.

• Operating supplies and services must be purchased and received during the time period of the project.
• Operating supplies and services must provide a direct, verifiable benefit to the funded project.
• It is not an acceptable procedure to “stockpile” supplies at the end of a project period. Such stockpiled supplies would not reflect a direct and verifiable connection to the project being funded and may result in an obligation back to the sponsor (2 CFR 200.314). See section A-1. B. for OMB-A21 reference.

C-6. Capital Outlay.

• Capital outlay (CO) is defined as items having a useful life of more than one year and a cost of $5,000 or more.
• Capital outlay items must be purchased during the time period of the project.
• Capital outlay items must be received with enough time remaining on the project to benefit the project.
• See APM 10.40 Property Inventory and Products for tracking and accountability. [Note: Some agencies place lower dollar limits on items that must be inventoried and insured.]
• Transfers into and out of the CO category affect the F&A charges-allocation on a sponsored project. Budget transfers into or out of the CO category increase the amount of F&A charged to a sponsored project. Transfers into the CO category decrease the amount of F&A charged to the sponsored project. These budget transfers require OSP involvement.

C-7. Subcontracts. If the University is subcontracting a portion of the work, a subcontract document will need to be issued by OSP at the request of the PI or the unit. If a subcontract is not included in the original proposal, agency approval will be required prior to subcontract issuance.

—Subcontract costs are split out from the award and budgeted on separate funds within the overall grant budget.
• The full amount of the subcontract must be encumbered on a purchase order (PO); the PO number will be referenced on the subcontract. Indirect costs are will generally only be assessed on the first $25,000 of individual subcontracts. Therefore, if a subcontract exceeds $25,000, the PO must be split, with the first $25,000 expensed to E5171 and the amount in excess of $25,000 expensed to E5172.
• All subcontractor requests for payment invoices (invoices) must be approved by both the PI and OSP prior to being charged against the purchase order.
• Cumulative amount of invoices may not exceed the total amount of the subcontract PO.
• Invoices must be reviewed for allowable expenses per the prime contract and PI must certify both by the PI that the work is progressing and that expenses are appropriate. OSP will review all subcontract invoices prior to forwarding to Accounts Payable for payment.
C-8. Tuition Remission, Fees, Stipends, Scholarships, and Insurance (TFSI).

- Tuition remission and fees may be charged for Graduate Assistants only.
- If Graduate Assistants are receiving a salary stipend, then tuition remission fees, if allowed by the sponsor, must be paid from the same sponsored project budget on a proportional basis to the salaries.
- TFSI expenses must be specified as allowable expenses of the award.
- TFSI expenses are allowable on formal training grants as a scholarship.
- TFSI expenses are allowed on most other sponsored projects when associated with a Graduate Assistant's appointment to work on the project. [Note: USDA may restrict the expensing of tuition, fees and insurance to sponsored projects; review your project guidelines or ask OSP if you have questions.]
- Scholarships are not an allowable expense unless specifically approved by the sponsor.

D. Office of Sponsored Programs Procedures Policy on unallowable expenses

**D-1.** OSP shall review expenditures periodically through the life of a sponsored project budget and prior to closeout based on information in the University's financial system. If, through this review, it is determined that an unallowable expenditure has been assessed to a project, OSP will notify the dean or director and contact the responsible college finance director to either correct the transaction or perform a review of the facts associated with the assessment of the expenditure.

The review will identify who was responsible for the assessment of the expenditure, the circumstances surrounding placement of the unallowable expenditure on a sponsored project budget, and where the expenditure is to be transferred. OSP may be consulted to assist in the review process to ensure allocation of costs is completed in accordance with existing regulations, award conditions, and applicability to the scope of the project. Action, such as a review of policies and procedures, identification of resources available in making cost determinations, and improvement of internal controls, will be taken by the college to ensure unallowable costs are not placed on sponsored projects in the future. Based upon the review, the college will determine the severity of the infraction and the potential for recurrence. Taking into consideration the severity and potential for recurrence, the college will make a recommendation for resolution.

Once a review has been completed, any unallowable expenditure(s) shall be removed from the sponsored project budget and placed on an unrestricted University budget. If an unrestricted University budget is not available, the expenditure(s) will be deducted from the facilities and administrative costs returned annually to the college. Copies of all back-up documentation for the review process and associated transfers must be retained by the college and originals forwarded to OSP for retention in the official University file. (Note, any resolution and provision of necessary paperwork will not preclude OSP from conducting a full review of sponsored project activity within the area under review.)

This process shall also be used if an unallowable expense is placed on a project and the unallowable expense is identified by persons other than OSP.

**D-2.** If it is determined that the potential for recurrence is high, the Office for Research and Economic Development (ORED), with the concurrence of the college, will require the individual to take or retake formal training offered by OSP.

**D-3.** If an individual commits the same infraction or fails to comply with responsive actions identified through the process in D-1 and D-2, his or her repeated actions may be referred
for review by an ad hoc committee comprised of the Associate Vice President for Research and Economic Development, the dean or dean’s designee of the individual’s college(s), a representative from OSP, a representative of the University controller, and two peers. A representative from HR and internal audit will be included in an advisory capacity. The committee will review the available facts and make recommendations for further investigation or remedial and/or disciplinary action to the appropriate individual(s). Recommended employee disciplinary action will be made to the individual’s supervisor and unit administrator/dean, and any such action shall be at the discretion of the appropriate supervisor and shall proceed in accordance with the employee disciplinary procedures in the applicable University policies. Recommendations for non-disciplinary remedial actions, such as required training or revocation of access to manage sponsored project activity, shall be made to the Vice President for Research and Economic Development. Nothing herein shall limit the authority of an individual’s administrative unit or ORED to otherwise impose discipline or remedial activities within their existing authority and without referral to the above described committee.

E. Contact Information. For additional information please contact the Cost Accounting Unit of the Office of Sponsored Programs at 208-885-6651 or osp-cost@uidaho.edu.