

Section:	II.3.46	
Title:	Allowable Costs Operating Policy	
Effective Date:	August 1, 2021	
Approved By:	Provost and Treasurer	
Responsible Unit:	Office of Grants and Sponsored Research – (609) 771-3255 Finance & Business Services – Post-Award Grants, Office of the Treasurer – (609) 771-2186	
Related Documents:	<ul style="list-style-type: none"> • Direct Charging Operating Policy • Cost Transfer Operating Policy 	
History:		
<u>Version</u>	<u>Date</u>	<u>Notes</u>
2.0	August 1, 2021	Revised
1.0	May 13, 2015	New policy; initial release

I. INTRODUCTION

This operating policy describes allowable costs and their application to grant project budgets.

II. DEFINITIONS

Reasonable cost: 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 cost. (Uniform Guidance §200.404 Reasonable costs.)

Allocable cost: A cost is allocable to a particular sponsored award or other cost objective if the goods or services involved are chargeable or assignable to that sponsored award or cost objective in accordance with relative benefits received. This standard is met if the cost (1) is incurred specifically for the sponsored award; (2) benefits both the sponsored award and other work of the non-federal entity and can be distributed in proportions that may be approximated using reasonable methods; and (3) is necessary to the overall operation of the non-federal entity and assignable in part to the sponsored award in accordance with these principles. (Uniform Guidance §200.405 Allocable costs)

III. POLICY OVERVIEW

It is the policy of The College of New Jersey (TCNJ or the College) to incur and charge costs to grants and sponsored projects in a manner consistent with Office of Management and Budget (OMB) Code of Federal Regulations *Part 200— Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (“Uniform Guidance”), State of New Jersey regulations, sponsor policies, and award terms and conditions. This Operating Policy ensures that TCNJ’s practices for determining the allowable costs incurred under sponsored awards are compliant with federal requirements.

Reason for Policy

As a recipient of federal and state funding, TCNJ is subject to numerous financial accounting and reporting obligations, including but not limited to those set forth in the Uniform Guidance. Failure to adhere to the provisions of this operating policy may result in the College’s sponsors, or other government agencies, disallowing costs or imposing other sanctions.

The Uniform Guidance, specifically Subpart E—Cost Principles, is designed such that sponsored awards bear their fair share of cost except where restricted or prohibited by statute. These cost principles, and therefore this operating policy, apply to all sponsor funded expenditures as well as cost shared expenditures, regardless of funding source.

Allowable costs must be (a) reasonable; (b) allocable to sponsored agreements under the principles and methods defined in Uniform Guidance 2 CFR 200; (c) given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

General Criteria:

Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable on all sponsored projects (Uniform Guidance §200.403 Factors affecting allowability of costs):

- Be necessary and reasonable for the performance of the

sponsored award and be allocable there to under these principles.

- Conform to any limitations or exclusions set forth in these principles or in the sponsored award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity.
- Be accorded consistent treatment. A cost may not be assigned to a sponsored award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the sponsored award as an indirect cost. (See also *Direct Charging Operating Policy*.)
- Be determined in accordance with generally accepted accounting principles (GAAP).
- 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. (See also Uniform Guidance §200.306 Cost sharing or matching paragraph (b).)
- Be adequately documented.
- Be incurred during the approved project / budget period unless otherwise authorized by the sponsoring agency (e.g., via sponsoring agency prior written approval to carry forward unobligated balance or prior approvals are waived).

Prior Written Approval for Costs:

Prior written approval from the awarding agency is required for certain items, including but not limited to, the following (see Uniform Guidance §200.407 Prior written approval for the complete listing of costs requiring prior approval).

- Change in principal investigator, project leader, project partner, or scope of effort;

- Direct charging of administrative and clerical staff that is normally charged as indirect costs (Uniform Guidance §200.413(c));
- Supplemental pay, faculty salary charges in excess of the proportionate share of institutional base salary (IBS), or faculty salary charges for intra- institution of higher education consulting (Uniform Guidance §200.430(h));
- Entertainment costs that have a programmatic purpose (Uniform Guidance §200.438);
- Capital expenditures for items with a unit cost of \$5,000 or more (Uniform Guidance §200.439(b)(2));
- Costs of membership in any civic or community organization (Uniform Guidance §200.454(d));
- Participant support costs (Uniform Guidance §200.456);
- Pre-award costs (Uniform Guidance §200.458); and
- Fixed amount subawards (Uniform Guidance §200.333).

Sponsors may waive the requirement for prior approval of the above referenced types of costs. Absent any specific regulations requiring or waiving requirements for prior approval, if there is uncertainty as to the allowability of an item, this operating policy, including definitions and requirements, will guide the determination on if a cost is allowable.

Unallowable Costs:

Unallowable costs are costs that cannot be incurred as a direct cost on sponsored projects or included in the College's indirect cost rate. Unallowable costs and directly associated costs, i.e., expenses that would not have been incurred if the unallowable cost had not been incurred, cannot be charged to the sponsored project ID or used as cost share charged to a companion project ID.

If an unallowable cost or directly associated cost is charged to a sponsored project or as cost share, a cost transfer to a non-sponsored account must be processed as soon as the unallowable

cost is identified. (See the *Cost Transfer Operating Policy* for further guidance.)

Business Purpose:

If an expense item is not specifically written into a sponsored project proposal, TCNJ requires the documentation of a business purpose to demonstrate that the expense meets all allowability, allocability and reasonableness standards.

The documentation of a business purpose must clearly indicate:

- The source that is incurring the expense (i.e., individual, school, department, program);
- The purpose of the expense;
- Where the expense occurred (when applicable);
- The date of the expense, and
- How the expense supports the business purpose of TCNJ.

The documentation captured within the institutional financial system and should contain sufficient information so that any person who reviews and/or approves expenditures can:

- Clearly understand how the expense satisfies a business purpose, and
- Ensure costs are allowable based on the cost principles defined in Uniform Guidance §2 CFR 200.

Procedure

I. PROCEDURE OVERVIEW

- The Principal Investigator reviews an applicable grant announcement, with particular attention to allowable cost parameters for budget development.
- The Principal Investigator, in consultation with the Office of Grants and Sponsored Research (OGSR), as necessary, develops a budget to support a proposed project and submits the draft budget to OGSR for review.

- The OGSR reviews the proposed budget for consistency with the grant announcement parameters, institutional policy, sponsor requirements and federal regulations, such as Subpart E—Cost Principles of 2 CFR 200.
- The cognizant school dean and department chair review the full proposal, including the proposed budget after it has been reviewed by OGSR and deemed acceptable to advance.
- The OGSR will complete award set-up based on the approved sponsor awarded budget and enabling budget controls in the financial system to oversee allowable sponsored spending based on the approved sponsored award budget.
- The Principal Investigator consults with the Finance & Business Services – Post-Award Grants and Project Administrative Support Staff, as needed, to ensure directly charged expenses and any proposed cost transfers comply fully with this policy, the grant announcement, and the Subpart E—Cost Principles of 2 CFR 200.

II. ROLES & RESPONSIBILITIES

Principal Investigator (PI) – Responsible for:

- Complying with the grant announcement regarding cost parameters in developing and proposing a project budget.
- Being aware of this operating policy as well as individual sponsor requirements and federal regulations, such as Subpart E—Cost Principles in 2 CFR 200, that pertain to allowable costs.
- Consulting with OGSR, as needed, in the interpretation and application of this operating policy as well as individual sponsor requirements, state, and federal regulations.

- Ensuring actual sponsored project and cost share expenditures comply with the allowability requirements of the guidelines provided by the award, Uniform Guidance, and this policy.
- Communicating with Finance & Business Services – Post-Award Grants if cost charged to sponsored award is unallowable to initiate the cost transfer process, as necessary.

Project Administrative Support Staff – Responsible for:

- Assisting the PI in reviewing proposed and incurred costs for consistency with this operating policy as well as individual sponsor requirements, state, and federal regulations.

Office of Grants and Sponsored Research - Responsible for:

- Assisting the PI in reviewing expenditure requests for consistency with this operating policy as well as individual sponsor requirements, state, and federal regulations.

Deans/Department Chair - Responsible for:

- Reviewing and approving the proposed budget (as part of the total grant proposal) in the pre-award system.

Finance & Business Services – Post-Award Grants, Office of the Treasurer – Responsible for:

- Reviewing directly charged expenses, any proposed cost transfers, and invoices for compliance with this operating policy as well as individual sponsor requirements, state, and federal regulations.

Other College Departments (Procurement, Information Technology Office and Campus Planning and Construction Office) - Responsible for:

- Approving sponsored award purchases via automated system workflow, as needed for purchases relevant to specific unit (e.g., IT, furniture, etc.) to ensure compliance with this operating policy.

Appendix

I. Unallowable Cost Types

Below is a list of generally unallowable costs based on the General Provisions for Selected Items of Cost section of the Uniform Guidance. This list is not exhaustive and there are exceptions for some of the items listed. The specific sponsored project agreement may have additional costs that are unallowable. Absence of an item in this list is not intended to imply that it is allowable. The general criteria outlined in the policy must be considered to determine the allowability of all costs. The TCNJ expenditure account(s) listed represent the most likely Oracle accounts associated with the item of cost and do not represent a definitive list of unallowable accounts. The nature of the expense, not the chart fields to which it was charged, ultimately determines the allowability of the expense.

Cost Category	Regulatory Reference	Chart of Account(s)/ Expenditure Type(s)
Advertising and public relations	§200.421	<ul style="list-style-type: none"> • Accounts: 608000, 608130, 608140, 608150 • Organization: 2205 • Expenditure Type: Advertising Expense
Advisory councils/committees	§200.422	<ul style="list-style-type: none"> • Expenditure Type: Supplies, conference center charges, etc.
Alcoholic beverages	§200.423 (not allowed by State)	<ul style="list-style-type: none"> • N/A
Alumni/ae activities	§200.424	<ul style="list-style-type: none"> • Organization: 2204 • Expenditure Type: Supplies, reception/entertainment, conference center charges, Foundation expenses, etc.
Bad debts	§200.425	<ul style="list-style-type: none"> • Accounts: 626000, 626010, 626020
Commencement and convocation	§200.429	<ul style="list-style-type: none"> • Accounts: 624020, 624030, 624040 • Program: 2070

		<ul style="list-style-type: none"> • Activity: 2005
Contributions and donations to other	§200.434(a)	<ul style="list-style-type: none"> • Accounts: 604570
Services and property donated	§200.434(b)	<ul style="list-style-type: none"> • N/A
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent	§200.435	<ul style="list-style-type: none"> • Account: 614090 • Organization: 2400 • Expenditure Type: External Consultants, External Professional Services
Entertainment	§200.438	<ul style="list-style-type: none"> • Account: 604580 • Expenditure Type: Reception
Fines, penalties, damages and other settlements	§200.441	<ul style="list-style-type: none"> • Account: 614090
Goods or services for personal use	§200.445 (not allowed by State)	<ul style="list-style-type: none"> • N/A
Idle facilities and idle capacity	§200.446	<ul style="list-style-type: none"> • N/A – not record in general ledger
Interest	§200.449	<ul style="list-style-type: none"> • Account: 710000
Lobbying	§200.450	<ul style="list-style-type: none"> • Organization: 2205 • Expenditure Type: External Consultants, External Professional Services
Losses on other awards or contracts (i.e., expenses in excess of award amount)	§200.451	<ul style="list-style-type: none"> • Non-sponsored funding source (i.e., operating budget, enterprise/discretionary fund, or faculty fund project)
Membership in any country club or social or dining club organization	200.454	<ul style="list-style-type: none"> • Account: 632000 • Expenditure Type: Subscriptions & Memberships
Selling and marketing costs	§200.467	<ul style="list-style-type: none"> • Accounts: 608000, 608130, 608140, 608150 • Organization: 2202
Student activity costs	§200.469	<ul style="list-style-type: none"> • Expenditure Type: Student Finance, Board