

COST ALLOWABILITY ON FEDERALLY FUNDED GRANTS
February 2008
Policy 2.1.03

Policy:

As an affiliate of an educational institution, the KUMC Research Institute adheres to federal cost accounting standards and therefore follows the regulations set forth in the Office of Management and Budget (OMB) Circular A-21 on federally funded projects regarding cost allowability.

Purpose:

Allowable costs are those that are reasonable to the project; allocable; consistent; and conform to the restrictions set forth in the OMB Circulars and the guiding principles of the sponsoring agency. KUMC Research Institute has the responsibility to ensure that the costs assigned to a sponsored project are allowable, applicable, reasonable, and treated in a consistent manner according to these costing principles. Allowability of costs on federally funded projects is subject to the guiding principles set forth in OMB Circular A-21 Section J.

Procedures:

An allowable cost is a cost that has been accounted for in the terms of agreement for the project.

A reasonable cost is a cost that a prudent person would incur that is within the scope of the project.

An allocable cost is a cost that is directly related to the sponsored agreement that specifically furthers the work of the project.

A consistent cost is a cost that is treated in the same manner and placed in the same category as on other projects.

By applying prudent practices to costing decisions, one may determine whether a cost is allowable to a project. Questions to ask to determine the allowability of a cost are:

- Is the cost necessary for the continuation of the project?
- Is the cost reasonable to the scope of the project?
- Is there an "arm's length" in the transaction to avoid conflict-of-interest issues?
- Would the cost survive public scrutiny, i.e. the "front page" test?
- Is the cost acceptable under the policies of KUMC Research Institute?

If any of the answers to the above questions in relation to your cost is "no", the cost is not likely to be allowable. If an unallowable cost has been applied to a federally funded project, the cost must be transferred off the project to a non-sponsored account. Examples of unallowable costs on a federal grant include: alcohol, bad debt, bonding costs, cell phones, commencement and convocation costs, contingency provisions, entertainment costs, goods or services for personal use, lobbying, and social club memberships. This is not a comprehensive list; please refer to OMB Circular A-21 Section J for the full list.

For further clarification regarding the allowability of a cost against a sponsored project, contact Sponsored Programs Administration in KUMC Research Institute: <http://www2.kumc.edu/researchinstitute/spa/spastaff.html>

Definitions:

Office of Management and Budget (OMB) A-21: Federal circular establishing principles for determining costs applicable to grants, contracts, and other agreements with educational institutions.

Responsible Parties:

This policy shall apply to all KUMC faculty, staff, postdoctoral fellows, students, trainees, and any other persons at KUMC, University of Kansas Physicians Incorporated and its affiliates, and KU Hospital staff involved in conducting and/or coordinating or managing research at KUMC.

Exemptions:

Exceptions may be made on a case-by-case basis as a specific term or condition of a federally sponsored agreement, or with the written approval by the sponsoring agency.

Related Policies and Links:

OMB Circular A-21, http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

Contacts:

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