

Wellesley College Policy on Allowable and Unallowable Costs

Approval Date: 02/27/2018

Effective date: 03/01/2018

Purpose:

The purpose of this policy is to provide the institutional standards for determining and managing allowable and unallowable costs charged to grants, contracts, and other sponsored awards.

Policy:

It is the policy of Wellesley College to ensure that all costs proposed or incurred on a sponsored project comply with federal and state regulations and with the terms and conditions of the sponsoring agency in determining whether costs are allowable or unallowable. At no time should unallowable costs be charged to a sponsored project. Proper accounting for unallowable costs is required to maintain the integrity of the College's Facilities and Administrative (F&A) Cost Proposal and compliance with Federal agencies.

Definitions:

Direct Costs

Direct costs are those costs that can be directly assigned to a particular project, an instructional activity, or any other institutional activity with a high degree of accuracy. Typical costs charged directly to a sponsored project may include but are not limited to: compensation of employees working on the project and related employee benefits; supplies and equipment used solely in the performance of the project; travel; sub-award costs; service center charges; and human subject fees.

Indirect Costs

Indirect costs are those costs that cannot be directly assigned to a particular project, an instructional activity, or any other institutional activity with a high degree of accuracy. Typical costs may include but are not limited to: building utility costs, building and equipment depreciation, compensation of central administrative employees such as those working in Sponsored Programs, Human Resources, or Department Administrators.

Allowable Uniform Guidance §200.403

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles
2. Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amounts of cost items.
3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.



4. Be 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.
5. Be determined in accordance with generally accepted accounting principles (GAAP)
6. 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 prior period.
7. Be adequately documented.

Allocable Uniform Guidance §200.405

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

Reasonable Uniform Guidance §200.404

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.

Allowable Costs

Typical allowable costs include the following:

- Salaries and Wages
- Fringe Benefits
- Sub-award costs
- Lab Supplies
- Equipment
- Participant Support Costs

Unallowable Costs

Not all charges are allowable on Federal awards. Typical unallowable charges include:

- Advertising expenditures except for employee and subject recruitment
- Alcohol
- Alumni/ae Activities
- Audit Services
- Contingency provision costs
- Entertainment Costs
- Certain Fines and Penalties
- Goods and Services for Personal Use
- Lobbying
- Membership in any Civic or Community organization, country club, social or dining club
- Public Relations costs
- Selling and Marketing Costs
- Travel/Subsistence costs for Trustees

For a full listing of allowable and unallowable costs, please refer to Uniform Guidance §200.420 – §200.475.

Specific Items of Cost

The OMB Uniform Guidance includes updated language to reflect the treatment of Administrative and Clerical Staff Salary; Materials and Supplies; and Computing Devices as follows below:

Administrative and Clerical Staff Salaries

Generally these costs should not be directly charged to federal awards, however, per Uniform Guidance §200.413 (c), direct charging of Administrative and Clerical Staff Salary may occur if all of the following conditions are met:

- Administrative or clerical services are integral (20% or 1 day per week) to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
- The costs are not also recovered as indirect costs.

Please contact the Office of Sponsored Research for assistance in determining whether it is appropriate to budget for and charge such costs on a specific sponsored project.

Materials and Supplies

1. **Supplies:** Per Uniform Guidance §200.314, If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, Wellesley College must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal Government for its share.
2. **Computing Devices:** Per Uniform Guidance §200.453, in the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award. Computing devices (laptop and desktop computers), defined as supplies when the cost is less than the College's capitalization threshold of \$5,000, are subject to the less burdensome administrative requirements of supplies as opposed to equipment which are those items with an acquisition cost greater than \$5,000. Computing devices may be direct charged to a project or activity under the following circumstances:
 - The machines are essential and allocable to the project in that they are necessary to acquire, store, analyze, process, and publish data and other information electronically, including accessories for printing, transmitting and receiving, or storing electronic information.
 - The project does not have reasonable access to other devices or equipment that can achieve the same purpose. Devices may not be purchased for reasons of convenience or preference.

Principal Investigators must confirm that both conditions have been met prior to budgeting for or charging such expense items to their awards. Principal Investigators are responsible for determining whether or not the device is essential and to what extent the cost of the device is allocable to the sponsored project. PIs and departments should maintain documentation (e.g., copy of the proposal budget justification) that describes how the proposed computing device meets the above requirements. All purchases of computers and computing devices on sponsored projects should be made through the College and belong to Wellesley College.

Participant Support Costs

Per Uniform Guidance §200.456, Participant Support costs are allowable with the prior approval of the Federal awarding agency. These costs are defined under §200.75 as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.

Participant support costs are not routinely allowed on research projects but can be charged if the project includes an education or outreach component and the agency approves such costs.

Equipment

Per Uniform Guidance §200.313, title to equipment will rest with Wellesley College upon acquisition.

Roles and Responsibilities:

The Principal Investigator, the Office for Sponsored Research, and the Controller's Office all share responsibility for ensuring the allowability of costs on sponsored awards.

It is the responsibility of the Principal Investigator to review sponsored research projects on a regular basis (monthly) to ensure that all expenditures are correct and appropriate and to identify unallowable costs when they are incurred and recorded.

It is the responsibility of the Office for Sponsored Research to ensure that all budgets are developed and submitted to sponsors in accordance with the College, sponsor, and federal policies.

The Office for Sponsored Research and the Controller's Office share the responsibility of providing assistance in interpretation and implementation of this policy.

It is the responsibility of the Controller's Office to review and approve invoices on sponsored projects to ensure the costs are allowable, reasonable and allocable and to periodically review the ledgers and accounts to verify that expenses are allowable and make necessary changes.

Unallowable Costs charged to sponsored funds that are identified during a review must be removed from the project. The Principal Investigator will work with the Controller's Office to remove these costs as soon as possible to a different college department fund or other unrestricted fund.

Wellesley College Cost Principles Reference Grid

The purpose of the grid below is to assist with determining what is typically allowable under 2 CFR 200, generally referred to as "Uniform Guidance" as a direct cost, facilities and administrative (F&A) cost and what is classified as an unallowable cost. Direct charges may sometimes require sponsor approval as indicated below.

DESCRIPTION OF COST	UG REFERENCE	DIRECT CHARGE ALLOWABLE	DIRECT CHARGE ALLOWABLE - PRIOR SPONSOR APPROVAL	F&A	UNALLOWABLE
Administrative & Clerical Salaries	200.413 / 200.430				
General				X	
Integral to sponsored agreement			X		
Advertising & Public Relations Costs	200.421				
Marketing or public relations in general					X
As required for sponsored agreement performance		X			
Alcoholic Beverages	200.423				X
Alumni activities	200.424				X
Audit costs & related services	200.425			X	
Bad Debt	200.426				X
Bonding Costs	200.427				
As required for sponsored agreement performance			X		
General conduct of business				X	
Collection of improper payments	200.428		X		
Commencement and convocation costs	200.429				X
Communication costs					
Services for telephone, fax etc.				X	
Long distance telephone calls - General				X	
Long distance telephone calls - sponsored award specific			X		
Compensation - personal services	200.430	X			
Compensation - fringe benefit (including tuition)	200.431	X			
Computing devices (under \$5,000/unit)	200.453	X			
Conferences (to disseminate technical information)	200.432	X			
Contingency provisions	200.433				X
Contributions & Donations	200.434				X
Deans of Faculty & Graduate school				X	
Defense & prosecution of criminal& civil proceedings, claims appeals, patent infringement	200.435				X
Depreciation & use allowance	200.436			X	
Employee health & welfare costs	200.437			X	
Entertainment costs	200.438				
General					X
Other specific costs normally considered entertainment but having programmatic purpose - w / sponsor prior approval			X		
Equipment & other capital expenditures	200.439				
General purpose				X	
Sponsored project specific			X		
Exchange rates	200.440		X		
Fines & Penalties	200.441				X

Fundraising & investment costs	200.442				X
Gains & losses on depreciable assets	200.443			X	
Goods or services for personal use	200.445				X
Housing & personal living expense	200.445		X		
Idle facilities & capacity	200.446				X
Intellectual Property	200.448				
Patents costs		X			
Royalties & other costs for use of patents & copyrights		X			
Interest	200.449			X	
Lobbying	200.450				X
Losses on sponsored agreements	200.451				X
Maintenance & repair costs	200.452				
General				X	
Sponsored project specific		X			
Material & supply costs-including essential & allocable computing devices under capitalization threshold	200.453	X			
Memberships, subscriptions & professional activities	200.454				
Business, technical, professional organizations				X	
Civil or community organizations				X	
Social organizations or organizations whose purpose is lobbying					X
Participant support costs	200.456		X		
Pre-award costs	200.458		X		
Professional services costs	200.459	X			
Proposal costs	200.460			X	
Publication & printing costs including those after the period of performance but before award closeout	200.461	X			
Rearrangement & reconversion costs	200.462				
General				X	
Sponsored project specific			X		
Recruiting costs	200.463	X			
Relocation costs of employees	200.464	X			
Rental costs of building & equipment	200.465	X			
Scholarship & student aid costs	200.466				
General					X
If purpose of project is to provide education			X		
Selling & marketing	200.467				X
Specialized service facilities	200.468	X			
Student activity costs	200.469				
General					X
Sponsored project specific			X		
Taxes, except taxes from which exemptions are available	200.470		X		
Termination costs applicable to sponsored agreements	200.471		X		
Training costs - employee development	200.472	X			
Transportation costs	200.473	X			
Travel costs	200.474	X			
Visas - short term, non-immigration, need identified directly to sponsored agreement	200.463	X			