



Allowable Costs: Guidelines

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I. Uniform Guidance (UG) Costs Principles (§200.402 – 405)

a. Allowable Costs

Those costs which are:

- Necessary and reasonable for the performance of the Federal award and allocable under UG principles.
- Conform to any limitations or exclusions set forth in UG or in the Federal award
- Consistent with Northeastern's policies and procedures that apply uniformly to both federally-financed and other University activities.
- Given 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.)
- Is in accordance with generally accepted accounting principles (GAAP).
- 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.
- Are adequately documented.

b. Reasonable Costs

Those costs which do 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. Guidelines include:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of Northeastern, or the proper and efficient performance of the Federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to Northeastern, its employees, its students, the public at large, and the Federal Government.
- Whether Northeastern significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's costs

c. Allocable Costs

Those goods or services that are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.

II. Allowability of Costs

a. Generally Unallowable costs (§200.421 – 475)

- Advisory councils
- Alcoholic beverages
- Alumni/ae activities
- Bad debts
- Building Utilities and Maintenance
- Commencement and convocation costs
- Contributions and donations
- Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements
- Entertainment costs (200.438) (unless prior approval has been obtained)
- Fines, penalties, damages and other settlements
- Food
- Fund raising and investment management costs
- Interest Payments (ATM Gees)
- Library / books
- Proposal costs
- Selling and marking costs (200.467) (Must have prior written approval)
- Student activity costs
- Visa fees: premium or expediting processing fees; renewal application fees; dependent application or processing fees; institutional charge for processing

b. Sometimes Allowable (200.421-475)

- Advertising is allowed when:
 - Solely for recruitment of personnel for performance of the award
 - For the procurement of good and services for the performance of the award
 - Disposal of scrap and surplus materials purchased on the award
 - Program outreach and other specific purposes to meet the requirements of the award
- Audit services
- Bonding costs
 - May be required by sponsor to assurance against financial loss
 - Allowable as a direct cost when required by the terms of the award
 - Allowable as an indirect cost when in accordance with sound business practice with reasonable rates and circumstances
- Contingency provisions
 - Typically large construction project or IT systems
 - Equipment and other capital expenditures
- Capital expenditures: only allowable with prior approval for special purpose equipment
- Computer devices
- Disposal of equipment / scrap / surplus materials
- Exchange rates
 - Cost increases due to fluctuation are allowable with prior approval
- Intellectual property
 - Patent costs
 - Allowable if required by the federal award

- Royalties and other costs
- Allowable when necessary for performance of the award unless:
 - Federal government already has a license or right to free use
 - The patent or copyright is invalid
 - The patent or copyright is unenforceable
 - The patent or copyright is expired
- Interest
 - Unallowable: costs for borrowed capital, temporary use of endowment funds, or entity's use of own funds
 - Allowable: financing costs to acquire, construct or replace capital assets
- Procurement of Goods and Services
- Public relations is allowed when:
 - Specifically required by the award
 - Necessary outreach for communicating with the public and press about activities or accomplishments
 - Necessary to keep the public informed on matters of public concern (notices of funding opportunities, financial matters, etc.)
- Relocation costs
 - Permanent change of duty assignment (not less than 12 months)
- Rental costs of real property and equipment
- Scholarships and student aid
 - Allowable when part of the purpose of the federal award
 - Tuition remission is generally allowable when the individual is necessary to the project and costs follow the written policy of the institution
- Termination costs
 - Loss of useful value of special tooling, machinery and equipment; settlement costs and claims under subawards may be allowable
- Tuition remission
- Visa (200.463)

c. Generally Allowable (200.421-475)

- Collections of improper payments (either as a direct or indirect cost)
- Compensation
 - Researchers
 - Administrative and Clerical Salaries (need to be included in the award budget or have prior sponsor approval)
- Conferences
- Depreciation of buildings, capital improvements, equipment and software
- Employee health and welfare
- Equipment (>\$5,000)
- Fringe Benefits
- Gains and losses on disposition of depreciable assets
- Maintenance and repair costs
- Material and supplies costs, including costs of computing devices
 - Computing devices are allowable as long as they are essential and allocable (even if not solely dedicated)
- Participant support costs

- Stipends, subsistence allowances, travel allowances, registration fees in connection with conference or training projects (not employees)
- Plant and security costs
- Pre-award costs (up to 90 days)
- Professional service costs (consultants)
- Publication and printing costs (after the project ends but before closeout)
- Rearrangement and reconversion costs (allowable as an indirect cost)
- Recruiting costs
- Specialized service facilities (computing facilities, wind tunnels, reactors, etc.)
- Training and education
- Transportation costs
 - Including freight, express, cartage, postage and other transportation as either a direct or indirect cost
- Travel
 - Commercial Air Travel – least expensive unrestricted accommodations class
 - Fly America and Open Skies
- Visa

III. *Prior Approval Summary*

- Administrative and clerical salaries
- Capital expenditures
- Entertainment
- Exchange rates
- Participant support costs
- Pre-Award costs in excess of 90 days
- Selling & Marketing
- Subcontracts > \$150,000
- Supplemental compensation
- Travel costs for dependents

IV. *Direct Costs*

Direct costs can be identified specifically with a particular project or another institutional activity and can be assigned to:

a. Salaries, Wages and Fringe Benefits (see Sections §200.430, §200.431, §200.437, §200.466)

- Faculty
- Research Associates, Scientists
- Predoctoral and Postdoctoral Fellows
- Technicians, Lab Assistants, Graduate Students
- Tuition remission for Graduate Students

b. Supplies and Materials (see Sections §200.20, §200.33, §200.48, §200.89, §200.94, §200.439, §200.453)

- Chemicals
- Laboratory Supplies
- Computer Software

- Drugs
- Books
- Minor Equipment
- Uniforms
- Photographic supplies
- Tools
- Animals
- Computing devices (this is allowable for devices that are essential and allocable, but do not have to be solely dedicated to the project)

c. Other Direct Costs (see Sections §200.20, §200.48, §200.75, §200.89, §200.439, §200.452, §200.456, §200.461, §200.463, §200.470)

- Travel
- Postage
- Subawards
- Radioactive Waste Disposal
- Consulting Services
- Equipment
- Animal Care
- Motor Pool
- Other costs specifically identified and justified in funded proposals
- Long distance telephone costs
- Freight and Express
- Patient Care costs
- Research Subject costs
- Publication costs
- Recharge Center Fees
- Short Term VISA costs (200.463)
- Value Added Tax (VAT)

V. Costs considered Facilities & Administrative (F&A) Costs (Indirect Costs)

By definition in the Uniform Guidance, "Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved." Appendix III to the Uniform Guidance provides the costs that are generally identified as F&A costs for Institutions of Higher Education.

Examples include:

- Facilities & Administrative (F&A) Costs (Indirect Costs)
- Office Supplies
- Basic Local Telephone Services On Campus - Basic services include phone installation, monthly line charges, and basic instruments
- Cellular Phones, pagers and Related Service Charges
- Routine Copying Charges
- NU Technology Fee
- Memberships

- Journals and Subscriptions

a. Direct Charging Normally Indirect Costs:

Under §200.407, Northeastern can obtain prior written approval from the awarding agency to charge a normally indirect expense directly to a project. Costs that generally fall into this category include Clerical and Administrative staff, memberships, subscriptions, general-purpose computers and office equipment, routine office supplies, local (basic) telephone charges, postage, etc.

Off-Campus Projects call under this category and can include typically indirect costs such as the following:

- Office Supplies
- Basic Telephone Services - such as phone installation, monthly line charges, basic instruments
- Facilities Costs - such as rent, maintenance, security, utilities

b. Costs requiring prior approval

If prior approval is required, the PI must seek formal sponsor approval by submitting the request through ORAF.

Prior approval requests should include the specific request, any rebudgeting information that is pertinent to the request, and a description of the need and impact to the sponsored program. The lack of prior approval may lead to later disallowance by the sponsor.

c. Administrative and Clerical Salaries

Administrative and clerical staff salaries are normally treated as F&A costs. Responsibilities that fall within normal departmental administrative functions cannot be charged directly to sponsored programs, such as routine budget monitoring, filing and other general office tasks.

Administrative and clerical costs may be charged as direct costs to a federally sponsored program if all of the following conditions are met:

- The costs are integral 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.
- In addition, such costs must be explicitly included in the proposal budget or have prior sponsor approval prior to charging to the sponsored program budget.

VI. Other Special or Unusual Costs

Prior approval is required for particular items of costs, as set out in the Uniform Guidance in §200.407, as required by the terms and conditions of the award, or as set out in sponsor policy. Prior approval is recommended for any incurrence of special or unusual costs not originally anticipated in the proposed budget.

VII. Distribution of costs across two or more sponsored programs

§200.405 of the Uniform Guidance governs allocable costs, including subsections (c) and (d) which deal with allocable costs that benefit two or more projects. Allocating costs cannot be based on overcoming funding deficiencies, to avoid restrictions based upon statutes, regulations or award terms and conditions, or for reasons of convenience.

Costs that benefit two or more projects should be allocated based upon proportional benefit. That is, the cost is allocated according to the proportion of benefit provided to each project. For example, the cost of lab supplies might be allocated based upon the quantity used (or planned to be used) on each project. If the proportions of benefit cannot be determined because of the interrelationship of the work involved, the cost is distributed on any reasonable basis. For example, the cost of lab supplies might be allocated based upon the allocation of employee salaries to each project.

VIII. Unacceptable Direct Costing Practices

- End of award: purchasing items to exhaust unobligated balances
- Rotating charges amount projects
- Assigning charges on the basis of the remaining balance to resolve availability of funding issues or to avoid loss of carry-forward balances
- Assign charges to an award before the cost is incurred
- Charge an expense exclusively to a single award when the expense clearly has supported other activities
- Rotate charges among sponsored projects without establishing the direct benefit to each project
- Assign charges to the sponsored projects with the largest remaining balance
- Assign charges to the sponsored project on the basis of ability to pay (i.e. largest budget)
- Charge the budgeted amount rather than the amount based on actual usage
- Describe a cost as something other than what it is (e.g. describing office supplies as lab supplies)
- Transfer an overdraft from one project to another
- Sell equipment funded by the government and transfer the proceeds to a banner index.

IX. Description of Expenses

a. Advertising

- Advertising costs that can be charged to federally funded sponsored projects are those solely for:
 - The recruitment of personnel required for performance of the sponsored project, including participant enrolment for clinical trials.
 - The procurement of goods and services for performance of the sponsored project
 - The disposal of scrap or surplus materials acquired in performance of the sponsored project.
 - Other specific purposes necessary to meet the requirements of the sponsored project

Any other advertising costs are not allowable to federally funded sponsored projects.

b. Compensation

The effort percentages in the project proposal should normally be used for initially charging salary costs to the project. However, adjustments should be made to the effort percentage and salary charge if use of the proposed effort percentage is inappropriate because of changes in an individual's workload since submission of the proposal (i.e., the award of more grants than anticipated). If a reduction of 25 percent or more from the budgeted effort percentage occurs for a PI, co-PI or other key personnel, sponsoring agency notification and approval are required. (Note: this reduction is 25% of the budgeted effort percentage, not 25% of the individual's total effort. For example, a reduction from 40% to 30% would be a 25% reduction of the budgeted effort percentage.) All direct effort on sponsored agreements must be confirmed by effort reports and adjustments to the salary charges must be made if actual effort as shown on the effort report differs materially from the charged effort.

If a salary exceeds the NIH salary cap, the salary amount exceeding the cap is unallowable.

EXAMPLE: A P.I. earns \$200,000 in annual salary and expends 20% effort on a project. Assume that the NIH salary cap is \$183,300. The maximum allowable salary under the cap is 20% of \$183,300, or \$36,600.

c. Consulting

External consulting costs are allowable when a consulting agreement exists and a specific invoice documents the charges. Under normal circumstances, University employees may not be considered consultants. In the unusual event that the consultation is across departmental lines and the work performed is in addition to the individual's normal departmental responsibilities, the University may approve these consulting charges to a sponsored project. Each case will be considered on an individual basis. Consulting contracts should be processed in accordance with University policy.

d. Entertainment (200.438)

Costs incurred for alcohol, social events, entertainment, and any items related thereto, such as meals, lodging, rentals, transportation, and gratuities are generally unallowable unless:

- The entertainment is authorized either in the approved budget or by prior written approval
- Has a programmatic purpose

e. Equipment

Consistent with University policy, equipment means an article of nonexpendable tangible personal property, having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. The cost of the equipment includes the net invoice price of the equipment, including the cost of any modifications, attachments, or auxiliary apparatus necessary to make it usable for the purpose for which it was acquired.

In accordance with Uniform Guidance, special-purpose equipment means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers. These are allowable provided have a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity. NIH policy allows such equipment as direct charges, provided that the acquisition of items having a unit cost of \$25,000 or more is approved in advance by the NIH. Other sponsoring organizations may also have restrictions. If the sponsored agreement does not specifically address equipment, check with the sponsor regarding restrictions.

General-purpose equipment means equipment, the use of which is not limited only to the special purposes outlined previously. Examples include office equipment and furnishings, printing equipment and computer equipment. Depreciation on such general-purpose items are included in the University F & A rate and are generally unallowable as direct charges, except in the case of unlike circumstances.

f. Maintenance and Repairs

Necessary maintenance, repairs or upkeep of directly charged project-specific equipment that neither adds to the permanent value of the property nor appreciably prolongs its intended life but keeps it in efficient operating condition is allowable within the grant period. If a maintenance agreement cost or a repair cost benefits more than one sponsored agreement or other activity, the cost must be allocated to the various projects and activities based on the benefit directly received by each. See the proportional benefit rule for discussion of appropriate distribution methodology.

g. Meals

Working meals and/or recruiting meals are not allowable as a direct charge to federally sponsored projects unless incurred in connection with travel, conferences, or subject meals.

h. Memberships, Subscriptions and professional activity costs

- a) Costs of the non-Federal entity's membership in business, technical, and professional organizations are allowable.
- b) Costs of the non-Federal entity's subscriptions to business, professional, and technical periodicals are allowable.
- c) Costs of membership in any civic or community organization are allowable with prior approval by the Federal awarding agency or pass-through entity.
- d) Costs of membership in any country club or social or dining club or organization are unallowable.
- e) Costs of membership in organizations whose primary purpose is lobbying are unallowable. See also §200.450 Lobbying.

i. Materials and Supplies (including cost of computing devices)

- a) Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable.
- b) Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms must be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.
- c) Materials and supplies used for the performance of a Federal award may be charged as direct costs. 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.
- d) Where federally-donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

j. Proposal Preparation Costs

Costs of preparing proposals and applications for acquiring sponsor funding, including typing, copying, mailing, long distance telephone charges, etc., are typically unallowable. (see section on Expanded Authorities).

k. Recharge Activities and Service Centers

Service centers are departments or functional units that perform specific technical services primarily for the benefit of the University. Service Centers include "recharge centers" and "specialized service facilities", defined in Section J of A-21. The Animal Facility is a specialized service facility. Cost of services provided are allowable as direct costs to a sponsored project where such costs are required under the scope of the project.

All usage must be accounted for and services must be charged to all users based on actual usage (units of service) using uniform, non-discriminatory rates. The rates must be based on the actual direct cost of providing the service. Rates must be approved by Research Finance and be revised on an annual basis upon review of actual direct expenses and charges to users.

l. Remodeling/Leasehold Improvements

Special arrangements and alteration costs incurred specifically for the sponsored projects are allowable direct costs when the sponsor has approved the work in advance.

m. Telecommunication, Postage

Typically included as an indirect cost and not allowable unless included in the proposal budget and approved.

n. Travel

Travel is an allowable direct cost when directly attributable to specific work under a sponsored project. Costs of meetings and conferences are allowable when the primary purpose is the dissemination of technical information and the cost is budgeted. Meals, transportation, facility rentals, and other items incidental to such meetings and conferences are also allowable direct costs. All travel costs charged to a sponsored project must comply with university travel policies. Additionally, the following additional requirements must be met:

- Fly America Act: American flag air carriers must be used for all federally funded travel.
- Export Control Considerations: When travelling internationally the traveler should familiarize themselves with export control requirements.

X. Expanded Authorities

Expanded authorities are the operating authorities provided to grantees under certain research grant mechanisms that waive the normally-required sponsor prior approval for specific actions. Specific examples by major funding agency are listed below:

a. National Institutes of Health (NIH)

NIH has extended expanded authorities to all NIH awards except for the provision to automatically carry over unobligated balances. These authorities have become the NIH Standard Terms of Award. Therefore, the term Expanded Authorities is no longer used at NIH. Prior approval is required to carry over unobligated balances. Unless authority is overridden by a special term or condition of the award through the NoA, the following authorities are valid:

- Pre-award costs up to 90 days prior to the effective date of the award (i.e., if the PI knows he/she will receive the award, and the award falls under expanded authorities, the PI can accrue charges before the award start date, but only charges that are within 90 days of the start date.

- A single no-cost extension of time up to 12 months. The request must be submitted to ORAF 45 days prior to the expiration date of the project. The agency must be notified 10 days prior to the expiration date.
- Rebudgeting of funds up to 25% (excluding trainee costs).
- Additional domestic and foreign travel requests not originally included in the award (i.e., unless restricted by the Notice of Award, these are allowed to be considered approved)
- Fixed price subaward

Prior approval required:

- Participant support costs are only allowable when identified in the funding announcement
- Clerical and admin costs are only allowed if included in the proposal budget or have prior written approval
- Acquisition of special purpose equipment below \$25,000 - check
- Capital expenses for equipment in excess of \$5,000
- Rebudget amounts previously awarded for trainee costs

b. National Science Foundation (NSF)

- Pre-award costs up to 90 days prior to the effective date of the award.
- A single no-cost extension of time up to 12 months (6 months for awards issued prior to May 2, 1994). The request must be submitted to the ORAF 45 days prior to the expiration date of the project. The agency must be notified 10 days prior to the expiration date.
- Acquisition of special purpose equipment costing \$1,000 or more.
- Capital expenses for equipment in excess of \$5,000
- Rebudgeting of funds in accordance with the applicable federal cost principles and the terms and conditions of the award (excluding participant or trainee support costs).
- Domestic and foreign travel requests.
- De minimus F&A rate
 - NSF does not allow rates below 10% (FAQs on Uniform Guidance)
- Prior approval required to rebudget/reallocate participant support costs

c. National Aeronautics and Space Administration (NASA)

- Pre-award costs up to 90 days prior to the effective date of a new award. (Not allowable on fixed price or sole source awards.)
- A single no-cost extension of time up to 12 months. The request must be submitted to ORAF 45 days prior to the expiration date of the project. The agency must be notified within 10 days of the extension and prior to the expiration date of the project.
- Acquisition of special purpose equipment below \$5,000.
- Rebudgeting of funds between line items up to 10%.

d. National Endowment for the Humanities (NEH)

- Pre-award costs up to 90 days prior to the effective date of the award.
- A single no-cost extension of time up to 12 months. The request must be submitted to ORAF 45 days prior to the expiration date of the project. The agency must be notified 10 days prior to the expiration date.
- Acquisition of equipment necessary and reasonable to carry out the approved project activities.

- Rebudgeting of funds in accordance with the applicable federal cost principles and the terms and conditions of the award.
- Foreign travel requests.

e. U.S. Department of Commerce – National Oceanic and Atmospheric Administration (NOAA)

- Pre-award costs up to 90 days prior to the effective date of the award.
- A single no-cost extension of time up to 12 months. (Must be authorized in the special terms and conditions of the award notice.) The request must be submitted ORAF 60 days prior to the expiration date of the project. The agency must be notified 30 days prior to the expiration date.
- Rebudgeting of funds up to 10% of the total approved budget except for the following items: direct costs moved to indirect costs or vice versa, training or fellowship costs.

f. U.S. Department of Education (ED)

(Excluding Special Projects and Centers funded by the National Institute on Disability and Rehabilitation Research.)

- Pre-award costs up to 90 days prior to the effective date of the award (subject to the 5 year limitation of funds clause). This authority should exclude the support of grant staff during the 90 day period prior to the start date of the project period.
- A single no-cost extension of time up to 12 months (subject to the 5 year limitation of funds clause). The request must be submitted to ORAF 45 days prior to the expiration date of the project. The agency must be notified of the extension 10 days prior to the expiration date of the project and be given supporting justification for the extension.
- Carryover of funds for grants in effect as of 08/27/97 and for new grants issued after that date. (Title VII Independent Living programs are excluded from this authority. Also, Title III Rehabilitation Long Term Training programs are required to carry forward funds consistent with the requirement that at least 75% of the total funds originally awarded for any given year be used for scholarships and stipends.) All carryover funds must be expended before utilizing any new funds awarded.
- Budget transfers among previously approved direct cost categories are authorized, provided that the scope and goals of the project are not changed. Note: Grants funded under the RSA long term training authority must continue to meet the requirement that 75% of federal funds be used for scholarships and stipends. Also, funds under the F&A cost category may not be transferred and must be renegotiated with the funding agency.

g. U.S. Department of Energy (DOE)

- Pre-award costs (on research grants only) up to 90 days prior to the effective date of the award.
- A single no-cost extension of time up to 12 months in the final year of the project. The request must be submitted to ORAF at least 45 days prior to the expiration date of the project. The U.S. Department of Energy's Contracting Officer must be notified within 10 days of the extension and prior to the expiration date of the project.

Reference Links

Federal Office of Management and Budget

2 CFR 200 (Uniform Guidance)

NIH Grants Policy Statement

NSF Grant Policy Manual

<http://www.neu.edu/ap/independentcontract.html>

<http://www.neu.edu/purchasing/>