**Policy on Determining Allowability, Reasonableness and Allocability of Costs for Sponsored Projects**

**Purpose**

This policy provides guidance to ensure that direct costs to sponsored projects are compliant with Federal cost principles in the “[Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule](http://www.ecfr.gov/cgi-bin/text-idx?SID=ed90f54836feb6a994f657188eb05e33&node=2%3A1.1.2.2.1&rgn=div5)” (Uniform Guidance), published by the Office of Management and Budget (OMB), and College policy.

**Policy and Procedures**

All costs charged to sponsored awards must be allowable, allocable, and reasonable under the Federal cost principles. In addition, individual award agreements may include special terms and conditions that must be considered when incurring costs.

Principal Investigators (PIs) should contact the Associate Controller of Financial Reporting with questions or concerns related to the allowability of a specific charge *before* the cost is incurred.

In general, **allowable costs** are:

* reasonable and necessary;
* allocable to sponsored projects;
* consistently treated; and
* in line with the Uniform Guidance and the terms and conditions of the award.

In general, **reasonable** **costs** are:

* prudent, such that anyone would commonly recognize the cost as one necessary for the sponsored project; and
* incurred in consideration of PI responsibilities to the College, community and public at large and in line with established College policies and practices in terms of the hiring practices, determination of salary or price, vendor selection, etc.

In general, **allocable costs** are:

* incurred solely to advance the work of the sponsored project or assignable, based on proportional benefit, to sponsored projects and other activities; and
* allocated using methodologies that are reasonable and documented. Supporting documentation should be retained by the PI in accordance with the College and/or sponsor records retention policy.
* Cost transfers for allocation *after* good or services are purchased are discouraged.