Federal Costing Principles
The Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called "Uniform Guidance") was officially implemented in December 2014.

The Uniform Guidance – a "government-wide framework for grants management" – is an authoritative set of rules and requirements for Federal awards that synthesizes and supersedes guidance from earlier OMB circulars.*

*The Guidance was drawn from OMB Circulars A–21, A–87, A–110, and A–122 (which have been placed in past OMB guidances); Circulars A–89, A–102, and A–133; and the guidance in Circular A–50 on Single Audit Act follow-up.
Direct and Facilities and Administrative Costs

Sponsored Project - An activity funded by external sources (sponsor)

Direct Costs - Costs that can be identified specifically with a particular sponsored project – Further information is available in 2 CFR 200.413

Facilities and Administrative Costs (F&A)/Indirect Costs - Costs incurred for common or joint objectives that cannot be specifically identified with a sponsored award. Further information is available in 2 CFR 200.414
Examples of Direct and F&A Costs

**Typically Direct Cost Examples**

- Salaries and fringe benefits for personnel working on the sponsored project
- Travel that is directly related to the sponsored project
- Lab Supplies
- Approved Subawards and Consultants
- Approved Animals and Animal Care

**Typically Indirect (F&A) Cost Examples**

- Administrative and Clerical Salaries
- Local Telephone and Internet Charges
- Cellular Telephone Charges
- Dues and Memberships
- Office Equipment (Facsimiles, Copiers, Printers)
- General Usage Computer Purchases
- Office Supplies and Postage
- Books and Periodicals
- Paper Supplies and Envelopes
- Photocopy Costs
- Lab Coats and Laundering
- Annual Safety Cabinet/Hood Certifications
- Entertainment
Charges to sponsored projects must be allowable, reasonable, and allocable in accordance with Uniform Guidance

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Allowability of Costs

2 CFR § 200.403  Costs must meet the following general criteria to be allowable under a federal award.

- Be necessary and reasonable for the performance of the award
- Be allocable to the award
- Conform to any limitations or exclusions set by the Uniform Guidance or the award
- Be consistent with UConn policies and procedures
- Be accorded consistent treatment as a direct or indirect cost for the same purpose in like circumstances
- Can not be included as a cost on another project (direct or as cost share)
- Be adequately documented
Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
d) 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.
e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
f) 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 §200.306 Cost sharing or matching paragraph (b).
g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.
## Allowability of Costs

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<td>• Salaries and Benefits for employees who work directly on the sponsored award</td>
<td>• Alcoholic Beverages</td>
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<td>• Supplies and Materials used in the performance of the sponsored project</td>
<td>• Alumni/ae Activities</td>
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<td>• Travel associated with project or presenting results from the project</td>
<td>• Bad Debt, Losses, Collection and related Legal Costs</td>
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<td>• Equipment</td>
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<td>• Consultants</td>
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<td>• F&amp;A, Overhead, Indirect Costs</td>
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<td>• Losses on other Sponsored Agreements</td>
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See SPS website General Cost Principles
Reasonable Costs

2 CFR § 200.404  Reasonable Costs

Prudent Person Rule

• Cost is ordinary and necessary for the performance of the award

• Follow sound business practices; arm’s length bargaining; Federal, State and local laws; and the terms and conditions of the award

• Market prices for comparable goods or services for the geographic area

• Concerned individuals acted with prudence

• Treated consistently with established practices and policy so as not to unjustifiably increase the Federal award’s 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. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

(a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
(b) 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.
(c) Market prices for comparable goods or services for the geographic area.
(d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.
Allocable Costs

2 CFR § 200.405 Allocable Costs

- The goods or services involved are chargeable or assignable when:
  - It is incurred specifically for the sponsored project
  - It benefits the sponsored project in a proportionally distributed manner
  - It is necessary to the overall operation of the non-Federal entity
- Costs cannot be used to overcome project deficits or avoid federal rules or regulations
- Costs must be distributed proportionally that benefit two or more projects when it can be done without undue effort or cost. If the proportions of benefit cannot be determined because of the interrelationship of the work involved, then cost may be allocated to the benefitted projects on any reasonable documented basis.
- Costs must be allocated pursuant to the Cost Accounting Standards, if applicable
2 CFR §200.405 Allocable Costs

(a) 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. This standard is met if the cost:

   (1) Is incurred specifically for the Federal award;

   (2) Benefits both the Federal 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 is assignable in part to the Federal award in accordance with the principles in this subpart.

(b) All activities which benefit from the non-Federal entity’s indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

(d) Direct cost allocation principles. 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. See also §§200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.

(e) If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.
Prior Written Approval

2 CFR § 200.407
Prior Written Approval (prior approval)

Uniform Guidance provides a list of elements that require prior approval.

Get approval BEFORE incurring expenses for any non-budgeted element which requires sponsor prior approval. Make the request through your Sponsored Program Services Team- they will help.

Charges incurred before approval is granted will likely not be allowed on the sponsored project.
Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine.

In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the non-Federal entity may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs.

Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances in the following sections of this part: (Continued)
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As a reminder....

Prevent Cost Transfers-
Prepare before ordering!

- Do you have first-knowledge that the goods or services are reasonable and necessary for the award being charged?
- Are the goods or services appropriate to be charged to the account?
- For sponsored projects, do you have first-hand knowledge that the goods or services will benefit the sponsored project?
- For sponsored projects, are the goods or services given consistent treatment?
- For federally sponsored projects, are the goods or services allowable, reasonable, and allocable under the Uniform Guidance?

- Is the KFS number correct?
- Is the documentation provided sufficient?
- Is the scan of any supporting documentation legible?
- Is the transaction description meaningful and adequate?
- Are you authorized to charge on this KFS number?
- Is the transaction compliant with University policy? Sponsor policy? Are there other other applicable policies or requirements?
- Has an appropriate “initiator” provided/requested that the transaction be prepared?
Need help?

Contact the Office of Sponsored Program Services

SPS@uconn.edu