Allowability of Cost
What’s New in Grants and Contracts

- Custom Budget Reporting System—allows customized budget categories and reports:
  - [https://www.fs.wmich.edu/GrantsReporting/](https://www.fs.wmich.edu/GrantsReporting/)
- Space usage—PI’s may be asked to provide information on planned space/room usage for sponsored project research
  - For new grant or existing grant receiving supplemental funding
  - To assist in data collection for F&A (overhead) rate negotiations
- Procurement Card—New provider (Bank of America) and one form for cards issued to grant funds/depts
Test of Allowability

- OMB A-21 states that a cost should be:
  - **Reasonable** - nature of the good or service and amount of cost involved reflects the action a prudent person would have taken under the circumstances at the time of the decision.
  - **Allocable** - to the particular sponsored project: incurred solely to advance the work under the agreement or benefits both the sponsored project and the University in proportions that can be approximated using reasonable methods.
  - **Consistently Treated** - throughout the institution.
  - **Conforming** - to any limitations or exclusions set forth in applicable federal regulations or the particular sponsor’s terms and conditions.

- Conform to University’s policies and procedures.
Types of Costs to be Discussed

- Cost Transfers
- Participant Support
- Administrative & Clerical Salaries
- Other Costs Generally Included in F&A
- Meetings & Conferences
- Sales Tax
- Memberships, Subscriptions & Professional Activities
- Proposal Costs
- Entertainment
- Equipment (General vs. Special Purpose)
- Goods & Services
Cost Transfers

- An expense accidently charged to another department id instead of the sponsored project
  - A cost transfer form must be completed and submitted with back up documentation for the expense to Grants and Contracts
  - If approved by the Director of Grants and Contracts the transfer will be processed
  - To minimize cost transfers:
    - Establish a pre-award account when new award is in process
    - Use on line procurement card reallocation process to charge project directly for supplies, etc. when using a department procurement card
    - Charge grant fund/dept directly for all other expenses
    - Monitor fund/dept activity frequently to catch errors/omissions
Participant Support

- Direct costs associated with an individual’s participation in such activities as conferences, meetings, workshops, seminars, symposiums, or training programs where the grant specifically supports these activities (or as defined in the sponsors grant application or request for proposal)
  - Accounted for separately (specific account codes used)
  - Generally no F&A charged on participant support costs
  - Allowances may not be paid to trainees who are also receiving compensation, either directly or indirectly, from other Federal government sources while participating in the project
  - Participant support funds may not be used for other categories of expense without prior approval from sponsor
Types of Participant Support Costs

- Stipend-set amount of money
- Travel-cost of transportation; sole purpose of the trip must be to participate in the project activity
- Subsistence Allowance-cost of a participant’s housing and per diem necessary for the individual to participate
- Fees-in connection with meetings, conferences, symposia, or training projects. These may be laboratory fees, passport, registration fees, or tuition and fees that are required for the individual to participate in the training program.
- Other-may include training materials, laboratory supplies, and insurance
Expenses Not Considered Participant Support Costs

- Honoraria to a guest speaker
- Conference support such as facility rental, media equipment, conference food, human subject payments for research study
- Faculty or Staff that participate in events related to the grant (meals, lodging, conference, etc...)
OMB A-21 indicates that “Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity.

- **Major Project** is a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments.
  - Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
  - Projects which involve extensive data accumulation, analysis and entry.
  - Listed in approved budget as clerical support.
- Otherwise these costs are considered to be included in the F&A (Indirect Cost) rate.
Other Costs Included in F&A Rate

- General Operating Expenses of a Department considered as being included in the F&A rate:
  - Office Supplies
  - Copier & Printer Supplies
  - Computer Supplies
  - Local & Cell Phone
  - Internet
  - Postage

- If a “Major Project” and costs are easily identifiable to the project, may be allowable as direct charges
  - Generally need to be specifically listed in the line item budget and/or budget narrative.
  - Examples:
    - Projects with large mailings to distribute information
    - Projects requiring dedicated phone lines to gather data
• Allowable provided the primary purpose of the meeting or conference is the dissemination of the sponsored agreement-related information
Sales Tax

- Unallowable when exemptions are available to the University
  - Current exemption certificates:
    - Michigan
    - Illinois
    - Ohio
    - Florida

- Hotel tax and tax on meals allowable
  http://www.obf.wmich.edu/accounting-services/busfin_corporate_tax.html
Memberships and subscriptions in business, technical and professional organizations are allowable but are normally treated as indirect costs. Memberships in country clubs, social or dining clubs or community or civic organizations are unallowable.
Proposal Costs

- The costs of preparing a new proposal for submission to a sponsor are generally unallowable as a direct charge to a sponsored project.
  - Examples: PI salary, clerical salary, copying, etc.

- Costs related to proposal preparation requesting funding and reporting technical progress of an ongoing project may be charged as a direct cost.
  - May include principal investigator time, technical graphics preparation, photocopying, etc.
  - May not include routine administrative/clerical effort.
Entertainment

• Costs of entertainment including amusement, diversion, and social activities are generally unallowable charges to federal and other sponsored projects
  ○ Tickets to shows
  ○ Sporting Events
  ○ Social Clubs
  ○ Concerts
  ○ Social Events

• Possible exception:
  ○ A meeting with a project purpose which must occur over the lunch hour
    ▹ Cost of meal excluding alcoholic beverages may be allowable if listed in the approved budget
Equipment

- Definition: non-expendable, tangible personal property having a useful life of more than one year and an acquisition cost of $5,000 or more
  - General Purpose-use is not limited to research, scientific or other technical activities
    - Office equipment (copier)
    - Printer
    - Computer
    - Generally not allowable unless for a “Major Project” and/or listed in approved budget
  - Special Purpose-use is limited to research, scientific or other technical activities
    - Generally allowable if listed in approved budget
Types of expenses

- T-shirts
- Gift Cards
- Awards
- Tokens of Appreciation
- Parking Permits

Unallowable unless the sponsor has specifically approved in the award document
Grants & Contracts Contact Information

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