1.0 BACKGROUND AND PURPOSE

In accepting a sponsored project, the Colorado School of Mines (Mines) agrees to follow allowable cost principles defined by the sponsoring agency. This policy is to assist the Mines research community in the management of sponsored projects and provide the institutional standard for determining Allowable Costs for sponsored projects whether they are supported by federal or non-federal funds. Mines utilizes federal guidelines as the basis of our institutional standards for handling all funding sources.

Federal guidelines require that similar costs are treated consistently as Direct or Indirect Costs. The purpose of this policy is to provide clarity on which costs are normally Allowable as Direct Costs or as Indirect Costs.

This policy applies to all federal and non-federal sponsored projects funded through grants, contracts or other agreements. These projects are identified in the Mines financial system as Fund Types 21 and 1410, 1440, 1450, 1460.

2.0 POLICY STATEMENTS

Sponsored projects may only be charged Direct Costs and Indirect Costs that are Allowable, Reasonable, Allocable and Consistently Treated. In circumstances where a sponsoring agency has more stringent restrictions regarding Direct and Indirect Costs, the specific funding agreement will be followed in conjunction with this policy.

2.1 DIRECT COSTS (2 CFR 200.413)

Direct Costs are those costs that can be identified specifically with a particular cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easy with a high degree of accuracy.

For guidance on Direct Costs see Exhibit 2, Direct Cost Guidance.

2.2 INDIRECT COSTS (2 CFR 200.56)
Allowable Costs for Sponsored Projects

Indirect (F&A) Costs are 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.

For examples of Indirect Costs see Exhibit 2, Indirect Cost Guidance.

Allowable Costs require consistent treatment of costs in “like circumstances.” Consequently, “unlike circumstances” must be demonstrated and justified if a cost that is normally considered an Indirect Cost is to be reclassified as a Direct Cost.

The Indirect Cost Exception Procedures are outlined in Exhibit 1.

2.3 ALLOWABLE COSTS

An Allowable Cost is one that is permitted under the terms and conditions of the sponsored agreement. Federal requirements, 2 CFR 200.403, identify four factors affecting allowability:

Reasonable (2 CFR 200.404):
A reasonable cost must be necessary for the performance of the project and the result of an action that a prudent person would have taken under the prevailing circumstance at the time the decision was made to incur the cost. Consideration must be given to whether the type of cost is generally recognized as ordinary and necessary for a similar project, sound business practices, market prices or if the cost is a deviation from establish practices and policies.

Allocable (2 CFR 200.425):
An allocable cost is one that is incurred specifically for the project and can be charged or assigned to a project in accordance to the relative benefit received. Costs may be distributed in proportions that may be approximated using reasonable methods.

Consistently Treated:
A cost must be consistently treated as either a Direct Cost or Indirect Cost if incurred for the same purpose in like circumstances. Costs must be consistent with policies and procedures that apply uniformly to both sponsored projects and other activities of Mines.

Accounting Standards:
A cost must be charged and documented in accordance with generally accepted accounting principles (GAAP) and applicable cost accounting standards (CAS).

2.4 UNALLOWABLE COSTS
Allowable Costs for Sponsored Projects

Unallowable Costs, either as Direct Costs or Indirect Costs, on a sponsored project, are those that do not meet the requirements of an Allowable Cost and are identified as unallowable per 2 CFR 200, Subpart E – Cost Principles.

For guidance on Unallowable Costs see Exhibit 2, Unallowable Cost Guidance.

3.0 RESPONSIBILITIES

Principal Investigators (PIs) are responsible for assuring that the costs assigned to projects are Allowable. PI and their department or center are responsible for any disallowance from external or internal audit and review.

Office of Research Administration (ORA) is responsible for monitoring costs charged to sponsored projects for compliance with the policy. ORA is responsible for review and approval of exceptions and shall have final decision authority.

4.0 COMPLIANCE/ENFORCEMENT

Costs that are determined to be Unallowable Costs will be reallocated off the sponsored project funds and onto a PI’s, departmental or center non-restricted funds.

5.0 HISTORY AND REVIEW CYCLE

The policy will be reviewed at least every 2 years or as needed by the Office of Research Administration.

Issued: July 1, 2007
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6.0 RESOURCES

Federal Regulations
- 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- 2 CFR Part 220 - Cost Principles for Educational Institutions (OMB Circular A-21)
- 2 CFR Part 215 - Uniform Administrative Requirements for Grants, and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations (OMB Circular A-110)
- 48 CFR Part 9905 – Cost Accounting Standards for Educational Institutions

KEY WORDS
Direct cost, indirect cost, allowable cost, unallowable cost, sponsored project, UG, uniform guidance, A-21, A-110.
Allowable Costs for Sponsored Projects

EXHIBIT 1 – INDIRECT COST EXCEPTION PROCEDURES

In order for a particular cost to be reclassified from an Indirect Cost to a Direct Cost on a sponsored project, Mines must demonstrate that the circumstance that warrants the cost is unique and “unlike” other circumstances. These procedures document the process for requesting approval for an Indirect Cost Exception.

1.0 Determination: A Principal Investigator (PI) believes that costs normally considered Indirect Cost should be included as a Direct Cost. This determination can be done as part of the proposal process or after the award has been received.

2.1 Request: The PI will submit a written exception request to ORA. The request must include a justification that addresses the following criteria:

- The special need for this item or service that is beyond the level of services normally provided by departmental or center administration.
- How the cost is specifically related to the technical scope of work conducted under the project and what makes this project unique.
- How the cost will be allocated to the project with a high degree of accuracy.

2.2 Specific Considerations for Administrative/Clerical Salaries and Fringe Benefits (2 CFR 200.413)

Federal regulations allows for the direct charging of administrative and clerical salaries only if the following criteria are met and included in the Request:

- Administrative or clerical services are integral to a project or activity
- An individual or specific role can be specifically identified with the project or activity; and
- Such costs are explicitly included in the budget and/or have the prior written approval of the project sponsor; and
- The costs are not also recovered as indirect costs.

Examples of projects where direct charging of integral and specifically identifiable administrative/clerical staff salaries may be appropriate are listed below. These examples are not exhaustive nor are they intended to imply that a Request will automatically be appropriate for the situations illustrated in the examples.

- Large complex programs that entail assembling and managing teams of investigators from a number of departments or institutions
- Projects that involve extensive data accumulation, entry and analysis, surveying, tabulation, cataloging, searching literature and reporting
- Projects that require travel and meeting arrangements for large numbers or participants, such as conferences and seminars
Allowable Costs for Sponsored Projects

- Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs. This does not include routine progress and technical reports or scientific manuscripts.
- Projects that are geographically inaccessible to normal departmental administrative services, such as seagoing research vessels, radio astronomy projects and other research field sites that are remote from the campus.
- Individual projects requiring project-specific-database management; individualized graphics or manuscript preparation.

3.0 Approval: Approval of the Request will be made by the Director of ORA, or designee.
Exhibit 2 – Allowable Costs for Sponsored Projects Guidance

1.0 Direct Cost Guidance:

The following types of costs, after meeting the Allowable Cost requirements, should be directly charged to a sponsored projects:

Salaries, Wages, & Fringe Benefits
- Faculty
- Post Doctoral Fellows
- Students Performing Scientific or Technical Work
- Scientific Professionals
- Lab Assistants & Technicians

Materials and Supplies
- Chemicals
- Compressed Gases and Liquids
- Computer Hardware & Software less than $5,000
- Glassware
- Other Research Supplies

Other Direct Costs
- Travel
- Consulting Services
- Publication
- Equipment greater than $5,000
- Participant Support Costs
- Subawards/Subcontracts
- Lab Analysis

2.0 Indirect Cost Guidance:

The following types of costs, after meeting the Allowable Cost requirements, should be included as Indirect Costs per 2 CFR 200, Appendix III:

Facility Costs
- Depreciation on buildings and equipment
- Operations and maintenance expenses
- Capital Improvements
- Interest on debt associated with applicable buildings, equipment and capital improvement
Allowable Costs for Sponsored Projects

Administrative Costs

- General Administration
- General Supply Costs
- Departmental Administrative Costs

Sponsored Projects Administrative Costs
Library Costs
Student Administration and Service Costs

3.0 Unallowable Cost Guidance:

The following types of costs are normally Unallowable Costs.

- Alcoholic Beverages
- Bad Debts
- Commencement & Convocation
- Gifts and Donations
- Costs incurred related to Interest on borrowed capital, endowment funds and other Mines funds
- Losses on awards or contracts
- Selling and Marketing costs

- Defense & Prosecution of Criminal and Civil Proceedings, Claims, and Appeals
- Fines, Penalties, Damages and other settlements
- Fund Raising and Investment Management
- Goods or Services for Personal Use
- Lobbying
- Memberships in social or dining clubs
- Student Activity costs