

## Policy: Allowable Cost Policy

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### I. Policy Objective

This policy outlines UT Arlington's general policies for expenses incurred on grants and contracts and the importance of assigning correct Sponsor Information and UT Share Accounts to expenses and credits to ensure proper treatment of costs.

Most of the external support for research at UT Arlington comes from the state and federal government. This funding is in the form of direct support for sponsored projects and often also includes reimbursement for indirect costs associated with these sponsored grants and contracts. UT Arlington's, accounting system tracks whether expenses are allowable for reimbursement through the grant Project ID to which transactions are charged and controls allowable and unallowable cost activities through the UT Share Account assigned to record transactions.

### II. Scope

All sponsored projects.

### III. Responsibilities

#### A. The Principal Investigator (or Designee)

- Review, process and approve expenditures to the allocable ProjectID.

- Monthly approval of reconciled Statement of Account.

## B. Department Administrative Staff

- Assist the Principal Investigator with their responsibilities.

## C. Office of Grant and Contract Services (OGCS)

- Maintain the University Policy and Procedure.
- Provide training, guidance on requirements, and oversee University-wide compliance with the University Policy and Procedure.

# IV. Policy

Basic considerations for allowable costs on federal projects are prescribed in 2 CFR Part 200.400 in addition to the policies and regulations of the prime sponsor.

Expenses are chargeable to the sponsored project only if they are:

- Reasonable & Necessary - A prudent person would have purchased this item and paid this price at the circumstances prevailing at the time of purchase (2 CFR 200.404)
- Allocable - Expenses can be allocated to the government activity based on benefit derived, cause and effect, or other equitable relationship. (2 CFR 200.405)
- Consistently Treated - Like expenses must be treated the same in like circumstances 2 CFR 200.400(e).
- Allowable - Allowable or not unallowable as specified by sponsor regulations, university policies and procedures. (2 CFR 200.403)

If an expense does not meet the above criteria, it is not eligible to be charged to a grant or contract.

**NOTE:** Agencies that sponsor grants and contracts use the term allowable to mean permitted as a direct cost under the terms of a specific grant or contract. Expenses that are generally allowable for federal reimbursement may not necessarily be permitted under the terms of a specific grant or contract.

# V. Forms and Tools/Online Processes

[Guide to Allowable Costs](#)

[Federal Demonstration Partnership Special Terms and Conditions](#)

Statement of Account

# VI. Definitions

**Direct Costs** are expenses that are specifically associated with a particular sponsored project that can be directly assigned to such activities relatively easily with a high degree of accuracy.

**Indirect Costs** are expenses that cannot be identified specifically with a particular project or activity. They are expenses that benefit more than one activity.

**Reasonable:** 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.

**Necessary:** A cost is necessary if the objectives of the project cannot be met without incurrence of the cost.

**Allowable:** A cost is allowable if it is in conformity with governing laws and the policies and procedures of the institution.

**Allocable:** A cost is allocable if it is assignable to a specific cost objective in reasonable proportion to the benefit provided to the project to which it is charged. If a cost benefits two or more projects in proportions that cannot be determined because of the interrelationship of the work involved, the cost may be allocated or transferred to the benefitted projects on any reasonable documented basis (200.405 (d)).

**Principal Investigator:** Typically, a faculty member named in the award who has primary responsibility for technical compliance, completion of programmatic work, and fiscal stewardship of sponsor funds.

## VII. Related Statutes, Policies, Requirements or Standards

### **Other Policies and Standards**

- 2 CFR 200.400
- UT Arlington Guide to Allowable Costs

## VIII. Appendices

None.

## IX. Contacts

Office Name	Telephone	Email/URL
Grant and Contract Services	817-272-2105	<a href="mailto:ogcs@uta.edu">ogcs@uta.edu</a>