

Policy on Allowable and Unallowable Costs on Sponsored Projects

Effective: 2018. December.01

The Universidad del Sagrado Corazón (Sagrado) is an independent, non-profit, university whose Mission is the education of the whole person by forming solidary leaders who pursue projects of positive social impact, through active, creative and engaged learning experiences, in an innovative community of service and continuous improvement. Sagrado is committed to promoting research by the faculty and students and adopts this policy to facilitate participation in sponsored projects.

I. Purpose

It is Sagrado's policy to charge costs to federal and non-federal sponsored project activities in accordance with applicable laws, regulations, sponsor policies and other requirements. For federal sponsors, the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR §200) or – for funding effective before December 26, 2014 - OMB Circular A-21, Cost Principles for Educational Institutions (2 CFR §220) and/or OMB Circular A-110 (2 CFR § 215), collectively referred to as Federal Guidance, establishes principles for determining costs applicable to grants, contracts and other agreements with educational institutions, including federal flow-through projects.

The Federal Guidance also identifies costs that are generally unallowable as charges to federally-sponsored projects (including federal flow-through projects). These costs are termed "unallowable" costs and may not be charged to federally-sponsored projects as either direct costs or as facilities and administrative (F&A) costs. Faculty and staff who are responsible for administering federally funded sponsored projects should be familiar with the categories of costs that are generally unallowable.

This policy applies to all sponsored projects at the University; however, costs identified as "unallowable" on federally-funded projects may be directly charged to a non-federal project if permitted by both University policy and the non-federal sponsor's award documents, applicable policies, requirements, and/or written approval.

The University is required to follow OMB's Federal Guidance when determining whether to charge a cost to any grant, contract, or other agreement between the institution and the federal government or federal flow-through entity (federally-sponsored projects). OMB's Uniform Guidance (2 CFR §200) requires the University to identify unallowable costs and exclude them from any application, proposal, billing, or claim related to a federally-sponsored project. In addition, the Federal Guidance provides principles and standards for determining the costs applicable to research and other work performed by the university under federally-sponsored projects. The Uniform Guidance Subpart E - Cost Principles provides standards for select items of costs to be applied in establishing both allowable and unallowable costs on federally-sponsored projects. These standards apply regardless of whether a particular cost is treated as a direct cost or an indirect cost. In addition, Federal Cost Accounting Standards (CAS) 505 establishes guidelines for identifying and accounting for the unallowable costs as defined in OMB's Uniform Guidance (2 CFR §200). Unallowable costs are segregated in the University's accounting system so that they can be easily distinguished from allowable costs charged to the sponsored project.

II. Definitions

Participant is defined as a non-employee who is the recipient, not the provider, of a service or training associated with a workshop, conference, seminar, symposium, or other short-term instructional or information sharing activity. Participants do not perform work or services for the project or program unless it is for their own benefit. Participants may include students, national scholars and scientists, private sector representatives, agency personnel, teachers and others who attend and participate in a formal meeting, conference, symposia, or training project.

Participant Support Costs, as defined by the Uniform Guidance (2 CFR200.75), are those costs paid to, or on behalf of, participants or trainees (but not employees) in meetings, conferences, webinars, symposia, and workshops, when there is a category for Participant Support Costs in the award budget. Participant Support Costs may include registration fees, travel allowances, manuals and supplies, tuition, stipends and other costs associated with supporting the cost of attendance at these events. For a detailed definition, see the Policy on Participant Support Costs.

Sponsor is defined as a federal, state or local government (included subawards in which flow-through funds are from a federal, state or local government source); a private, for profit entity; or a non-profit entity such as a foundation.

Sponsored project is defined as a grant, contract or other arrangement formalizing the transfer of money or property from a sponsor to the University with the intent to either carry out a public purpose or provide a direct benefit for the sponsor. Sponsored projects can come in various forms, including but not limited to grants, contracts and cooperative agreements. Sponsored projects are, generally,

enforceable by law, and specified objectives are usually accomplished within a specified time frame, with payment being subject to revocation. Most sponsored projects also include indirect costs. Sponsored project documents that set forth terms and conditions and require a signature must be signed by an authorized signatory of the University.

III. Allowable Costs

In addition to meeting the specific standards for allowability under the Uniform Guidance Subpart E – Cost Principles, costs must meet certain general criteria to be allowable for federally-sponsored projects. An allowable cost must be reasonable, allocable to the sponsored project, given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances, and conform to any limitations or exclusions set forth in the Federal Guidance or in the sponsored project agreement as to types or amounts of cost items.

A cost may be considered reasonable if the nature and amount of the cost reflect actions that a prudent person would have taken under circumstances prevailing at the time. Among other factors, a reasonable cost is one generally recognized as necessary for the operation of the institution or the performance of the sponsored project, and is consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored projects.

Allocable Cost Test: Among other factors, a cost is allocable to a sponsored project if it: (1) is incurred specifically to advance the work under the sponsored project; (2) benefits both the sponsored project and other work of the institution in proportions that can be approximated through the use of reasonable methods; or (3) it is necessary to the overall operation of the institution and, in light of the principles provided in the Federal Guidance, specifically Uniform Guidance Subpart E–Cost Principles, is deemed to be assignable in part to sponsored projects.

IV. Unallowable Costs

In accordance with Federal Cost Accounting Standards CAS505, an unallowable cost is defined as any cost which, under the provisions of any pertinent law, regulation, or sponsored project cannot be included in prices, cost reimbursements, or settlements under the federally-sponsored project to which it is allocable. A cost may be either expressly unallowable or directly associated with unallowable activities. “Expressly unallowable” applies to any type of cost which, under the express provisions of an applicable law, regulation, or sponsored project, agreement it is specifically named and stated to be unallowable.

V. Reimbursement Policy and Federal Regulations

A cost determined to be appropriate under University policies to be incurred directly or otherwise reimbursed may be unallowable as a direct or indirect charge to a

federally or non-federally sponsored project. While the federal government or non-federal sponsor will not reimburse these costs, they may be entirely appropriate and permissible University activities or costs.

VI. Applicability and Responsibility

This Policy is applicable to all sponsored projects. The grant funded Academic Director and/or Project Director, and/or the Principal Investigators are primarily responsible for properly charging costs to sponsored projects in accordance with all applicable sponsor policies and requirements. The Academic Directors and Finance Office personnel with fiscal responsibility for reviewing costs on sponsored projects must identify and properly charge unallowable sponsored project costs to the correct expense account code and organization.

The Academic Director and/or the Project Director are responsible of delivering a copy of this policy to all Principal Investigators and participants of a sponsored project and ascertain the receipt of an executed and signed Acknowledgement of Receipt and Review of this policy before commencing work in any sponsored project.

Questions regarding proper charging practices on sponsored projects should be referred to the University's Vicepresident for Finance and Operations.

VII. Violations to this Policy

Universidad del Sagrado Corazón reserves the right to interpret this Policy in its administration, implementation and application. Any violation of this Policy by a student, faculty, staff, contractor or any other person may result in a disciplinary action that may include expulsion from the University (students) or termination of the employment relationship (faculty and administrative staff), or termination of contract (contractor), or other appropriate disciplinary and/or contractual and/or legal actions.

If there is ambiguity in any provision of this Policy, the University reserves the discretion to interpret it according to the purpose for which it was established, the impact on the operations of the University, and good faith, unless any law provides otherwise.



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