

STANDARD OPERATING PROCEDURE (SOP)
UW Oshkosh Office of Sponsored Programs

SOP Number: 15
Effective Date: 05/13/2019
Last Reviewed: 05/13/2019

Title:
Allowability, Reasonableness and Allocability of Expenses
under Sponsored Programs

OSP Contact Information

Business Hours: 8:00 a.m. to 4:30 p.m., Monday-Friday (excluding holidays).

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I. Overview

The federal cost principles under 2 C.F.R. 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” require that expenses charged to a federally-sponsored project be necessary to the sponsored project, reasonably charged, allocable, and consistently treated. This procedure outlines the definition for each of these terms to ensure all costs charged to a federal award are appropriate and allowable. Expenditures under federal awards must conform not only to 2 C.F.R. 200 but to any terms and conditions set forth in the award.

II. Applicability:

This procedure applies to any faculty or staff who are drafting a budget for a grant proposal submission. These individuals should be familiar with this procedure to ensure that all costs build into the grant proposal budget address the cost principles under 2 C.F.R. 200.

III. Procedure:

The following definitions provide guidance for appropriate inclusion of expenses in a federal grant budget.

1. **Allowable Costs (2 C.F.R. 200.403):** Cost must be necessary and reasonable for the performance of the federal award. Cost must conform to limitations or exclusions set forth in the federal award. Must align with generally-accepted accounting principles and must not be used to meet cost sharing requirements of any other federally-funded program.
 - a. Items to consider when determining whether a cost would be allowable:
 - i. Is it reasonable and necessary for the project?
 - ii. Is the cost consistently treated?
 - b. Examples of costs under a federal award that are generally considered allowable:
 - i. Employee compensation for effort performed under the federal award
 - ii. Travel costs that benefit the project and are performed according to University policy
 - iii. Material and supply costs consumed or utilized for the project
 - iv. Other direct costs if they are for the benefit of the project and justified in the budget narrative
2. **Reasonable Costs (2 C.F.R. 200.404):** The nature of the goods or services acquired and the associated amount do not exceed a cost that would be incurred by a person under similar circumstances. Must be similar in cost to fair market costs for comparable goods or services.
 - a. Items to consider when determining whether a cost would be reasonable:
 - i. Is the cost seen as necessary for performance of the project?
 - ii. Does the cost address and satisfy terms set forth by the sponsor and federal and state laws and regulations/
 - iii. Does the cost maintain compliance with institutional policies and procedures that are applicable to sponsored projects?
3. **Allocable Costs (2 C.F.R. 200.405):** Cost is incurred specifically for the federal award and provide a direct benefit to the funded activities. The cost is necessary for the overall success of the award.

- a. Items to consider when determining whether a cost is allocable:
 - i. Is it incurred solely to advance the work?
 - ii. It benefits both the sponsored project and also other work at the University, in proportions that can be reasonably approximated?
 - iii. Is it necessary for the overall success and completion of the sponsored project?

IV. Guidance Documents/Policy Links:

- [OMB Uniform Guidance: 2 CFR Part 200.403-Factors Affecting Allowability of Costs](#)
- [OMB Uniform Guidance: 2 C.F.R. Part 200.404-Reasonable Costs](#)
- [OMB Uniform Guidance: 2 C.F.R. Part 200.405-Allocable Costs](#)

V. Templates/Forms:

VI. Definitions

See above for definitions

VII. Contact Information: For questions or comments please contact OSP@uwosh.edu or 920-424-3215

VIII. Revision History:

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