



California State University, Stanislaus
PROCEDURES

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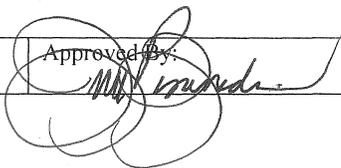
Each awarded grant or contract must have an approved budget, which includes direct and indirect costs, as well as cost-sharing commitments, if applicable. As part of the pre-award process, an initial budget is prepared by the Office of Research and Sponsored Programs (ORSP), working with the Principal Investigator/Project Director (PI/PD), adhering to cost allowability guidelines. The budget is routed for appropriate institutional signatures according to approved policies and procedures and is submitted to the funding agency along with the project proposal, if required.

If the awarded budget deviates from the submitted budget by more than 10 percent of the total, then a new budget is prepared by Grant Administration (GA), working with the PI/PD. Budgeting for items not included in the original budget may require the sponsor's advance approval, if stated on the award document.

To ensure compliance with the agency and Federal regulations, PI/PD reviews and approves all transactions before submitting for payment. Additionally, all forms used to generate an expenditure of external funds are either reviewed prior to payment or a post audit is performed by GA.

GA applies the following tests for allowability of expenditures when recording project budgets and during the review/approval expenditure process after an award is made:

1. Allowable: Is the expense allowed on the grant?
The expense must be reasonable and must be given consistent treatment through application of generally accepted accounting principles appropriate to the circumstances. The award notice often places restrictions on specific expense categories (e.g., foreign travel, equipment, food, etc.). Additionally, the Federal government publishes OMB Circulars that contain grant administration regulations. California State University, Stanislaus, as an institution of higher education, is required to adhere to OMB Circulars A-21 and A-110.
2. Allocable: Can the expense be specifically allocated to the grant?
The expense cannot be a general expense that may benefit other programs or a campus department. An expense may be divided among several projects, but then must be in proportion to the benefit of each project. Examples of unallocable expenses would include utilities, payroll assistance, etc. Unallocable expenses, if allowed, are considered part of the indirect cost.
3. Reasonable: Is the expense reasonable?
OMB Circular A-21 determines a cost to be reasonable if "the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made". Many factors are considered when determining whether a cost is reasonable: Is the cost necessary for the performance of the project? Is the purchase cost effective? Are there other less costly alternatives? Food and meeting expenses often do not meet the reasonable test. A good rule of thumb would be to ask: "How would this look if it appeared on the front page of the *Modesto Bee*?" or "Would you like your congressman to use your tax dollars for the same purpose?"

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4. Consistency: Is the expense consistent with past practice or similar programs?
According to OMB Circular A-21, similar expenses must be treated in a like manner. Circumstances may arise in which GA must evaluate how an expense was treated in the past and the impact that the questionable expense may have on other similar programs.

5. Timeliness: Does the expense fall within the project period?
Grant expenditures must fall within the project period. Any purchase with grant funds must be utilized for the performance of the project. When the end date of a project approaches, last-minute purchases may require additional justification since the use of the purchased items must still be within the project period. For example, purchasing a computer during the last week of a project would not be allowed since the use of the computer would be after the project end date. Similarly, bulk purchases of supplies would not be allowed. Pre-award costs (up to 90 days) are allowed only with prior approval from the sponsor.

6. Justification: Is the expenditure request supported by sufficient justification?
Situations may arise when GA may need more information in order to justify an expense. Keep in mind that auditors only see the paperwork sent through to Accounting. As a result, GA may send an email requesting clarification or additional information. If the expense does not meet the allowability criteria set forth in this section, further justification may be sought. GA has the final determination as to whether the expense is justified.

7. Documentation: Is there appropriate back-up documentation?
Each document sent to accounting for payment must have sufficient documentation attached so an auditor can determine the nature of the expense and how it fits with the scope of work of the project. For example, meeting expenses where food is provided must be substantiated with a hospitality form justifying how the expenses were necessary for the project's scope of work, are normally substantiated with an agenda, and a sign-in sheet listing all participants.

8. Certification: The PI/PD must certify by signature that the expenses and claims are true to the best of their knowledge.

9. Availability of Funds: Expenditures need to have an approved budget line. GA is not responsible for cost overruns or for ensuring that sufficient funds are available.

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