



Cost Principles

RSH260



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UF OFFICE OF RESEARCH
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RSH260 Cost Principles

This online training covers the standards of Uniform Guidance as it relates to governing costs of sponsored programs.

The purpose of these standards is to govern costs and determine if those costs are reasonable, allocable, allowable and consistently treated at UF.

At the end of this course, you will be able to:

- Describe the four cost principle components covered in 2 CFR 200
- Give examples of reasonable, allocable, allowable and consistently treated costs
- Analyze and determine costs as either direct or indirect

To pass this course, you must obtain at least **80%** on the final assessment.

For questions, contact:
Division of Contract & Grants

- research.ufl.edu/cg.html
- 352-392-1235

START



2 CFR 200 Uniform Guidance

[2 CFR 200 Uniform Guidance](#) are the “rules” set forth by the federal government in relation to federally sponsored agreements.

They are the foundation for UF’s sponsored programs policies and identify the basic cost principles that must be met when determining the allowability of costs. Allowable costs must be:

**NECESSARY, REASONABLE,
ALLOCABLE & CONSISTENTLY TREATED**

These rules also define what costs can be directly charged to a sponsored project, and which costs can’t:

DIRECT VS. INDIRECT



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Cost Principles

Charges to a sponsored project must meet basic cost principles. [Click on the icons below to learn each definition.](#)

Necessary

The cost is necessary to performing the scope of the work.

Without this purchase, the research cannot move forward.

Reasonable

This purchase represents the actions of a prudent person.

For example, one who is frugal, displays sound business practices, shops market prices, and conducts [arm's length bargaining](#).

Allocable

The cost is distributed based on the proportionate benefit to each project being charged.

One must document his/her allocation methodology.
If an allocation includes four or more projects, this may indicate an indirect cost, rather than a direct cost.

Consistently-Treated

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

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Cost Principles

Necessary

Do you think the following items are "necessary" to performing the scope of required work on a project? [Click the images for more information.](#)



Batting Cages

You noticed a purchase order from one of your PIs that included a batting cage. You know his research involves drones and don't understand how the batting cages are needed.

Yes, this proved to be a needed environment to safely fly drones to conduct the research.



Sapphire Jewel

On a recent proposal your PI included the cost of a specific carat and cut of a sapphire jewel. You checked the budget justification and see that it is to be used as a bearing to allow smooth equipment tilting at low temperatures.

Yes, this proved to be a necessary cost to complete the scope of work.



Nail Polish

Your PI asked you to purchase a dozen bottles of clear nail polish as part of a recent award. When you questioned her, she said it was cheaper than using actual slide preparation solution.

Yes, this proved to be a cost-effective alternative to the more commonly used slide preparation solution and was necessary to complete the scope of work.

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Cost Principles

Reasonable

Do you think the following purchases represent the actions of a prudent person?

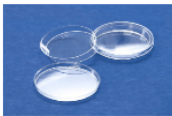
[Click the images for more information.](#)



Flight Change

A PI changed his flight for an upcoming conference, as he was concerned the inclement weather would interfere with his flight. He did not receive notice from the airline, nor the airport, of his flight being delayed or canceled. The costs of the flights were the same, but he incurred a \$200 change fee as a result.

The change fee was an avoidable expense and is not a reasonable charge to the project.



Petri Dishes

A PI purchased petri dishes from a local manufacturer. He paid a significantly higher price because of not purchasing through MyUFL Marketplace.

This is not a reasonable charge to the project. The PI purchased locally out of convenience and did not incur any improvement in quality.



Conference Lunch

A conference provided lunch for attendees. A graduate student attending preferred to have something else and asked to be reimbursed for his lunch.

If a conference is providing meals for travel, it is not appropriate to reimburse the traveler for this cost.

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Cost Principles

Allocable

Do you think the following purchases are allocated properly?

[Click the images for more information.](#)



Grad Student Travel

A graduate student is working equally on an NSF project and a DOE project for the spring semester. He is traveling to present research results on the NSF project at a conference. The travel is split 50/50 between the NSF project and the DOE project.

A 50/50 allocation is not appropriate. Since the student is solely presenting for the benefit of the NSF project, the travel should be allocated 100% to the NSF project.



Shared Equipment

A PI purchased a piece of equipment and allocated the item 100% for a DOD project. During idle time for the project, it is used on an second project.

The equipment must be made available for the project it was purchased on, but can be used for other projects during idle time.



Specialty Software

A PI purchased a specialty software license for one year. Her project ends in three months, so she allocated the cost 25% to this project and 75% to a less restrictive source.

This is an appropriate allocation. Since the project ends prior to the license expiration, the charge should be prorated accordingly.

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Cost Principles

Do you think the following costs are being consistently treated?

[Click the images for more information.](#)



Membership

A student is registering for an upcoming conference to present research results. He decides to become a member of the organization sponsoring the conference, as this will make his registration cheaper.



Proposal Prep Costs

A PI received a grant for her research. In reviewing expenses, you notice she has placed the proposal preparation costs on the grant, as she would not have incurred these costs if it were not for this project.



Excel Purchase

A departmental employee is tasked with creating budgets for her PIs. She receives permission to purchase the latest version of Excel and allocates the cost across her PI's sponsored projects..

Consistently-Treated

Memberships to professional organizations are general purpose in nature and are not an allowable direct cost even in a scenario where cost savings is achieved with the purchase.

Proposal preparation costs are not allowed as direct costs to the project and are considered indirect costs.

General purpose software, such as Excel, is normally considered an indirect cost and should not be charged to a sponsored project.

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Cost Accounting Standards (CAS)

Uniform Guidance also covers [Cost Accounting Standards](#) which establish the principles that costs will be *consistently* treated for the same purpose in like circumstances as direct or indirect (F&A) costs.

Direct Costs



Costs that can be specifically and easily identified with a particular sponsored project or activity and meet basic cost principles.



Indirect Costs

Costs that are incurred for common or joint objectives and cannot be easily and specifically identified with a particular sponsored project or activity.

Also referred to as Facilities and Administrative Costs (F&A) or Overhead.



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Cost Accounting Standards (CAS)

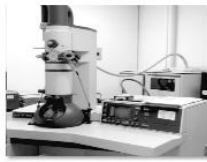
§200.413 *Direct costs.*

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

The following are examples of costs that are typically approved as direct costs when necessary, reasonable, allocable and consistently treated.



Personnel



Equipment



Travel



Supplies

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Cost Accounting Standards (CAS)

§ 200.414 *Indirect (F&A) costs.*

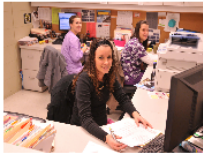
(a) *Facilities and Administration Classification. For major Institutes of Higher Learning (IHEs) and other major nonprofit organizations, indirect (F&A) costs must be classified within two broad categories: "Facilities" and "Administration." "Facilities" is defined as depreciation on buildings, equipment and capital improvements, and operations and maintenance costs. "Administration" is defined as general administration and general expenses such as the director's office, accounting personnel and all other types of expenditures not specifically listed under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable).*

Click Next to see examples of costs that are typically treated as indirect costs.

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Cost Accounting Standards (CAS)



Administrative &
Clerical Salaries



Computers & Mobile
Devices



Office Supplies



Postage

and more....

Click [here](#) for a list of costs traditionally treated as indirect.

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Indirect cost list - <http://www.fa.ufl.edu/directives/charging-costs-directly-or-indirectly-to-sponsored-projects/>



CAS Exemption

If your PI wants to charge a cost to a federally funded project that is traditionally treated as indirect or generally unallowable, a CAS Exemption will be required.



For example, your PI is doing research at an off-campus site for several months. He is requesting the utility bill be charged directly to his project.

This is an example where a traditionally indirect cost (utilities) can be charged to a project as long as a CAS Exemption has been requested and granted.



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CAS Exemption

Costs normally unallowable:



Entertainment



Event Tickets



Awards & Commendations



Food & Beverage

However, if justification can be given as to why generally unallowable items, or items typically considered indirect costs, should be directly charged to a project, a CAS Exemption Request should be submitted through UFIRST.

Click [here](#) for instructions on how to submit a CAS Exemption Request in UFIRST.

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CAS Exemption Request Instructions -

https://researchaffairs.med.ufl.edu/files/2017/06/IG_CASExemption_20170811.pdf



Would You Approve? Click Yes or No below.



Postage for an award where 300 surveys must be mailed out.

☒ Yes

☐ No

The answer is Yes. This is a fairly large amount of postage necessary to send surveys to research participants in order to carry out the scope of work and demonstrates an unlike circumstance.

Postage for the submission of an award's interim and final technical reports.

☒ Yes

☐ No

The answer is No. This is a cost of doing business and part of normal operations.

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Would You Approve? Click Yes or No below.



Payment for a telephone subscription to conduct telephone surveys through the Bureau of Economic and Business Research.

Yes

No

Yes, this is a scope of work requirement and is allowable once a CAS Exemption Request is approved.

The purchase of a vehicle on an award whose purpose is to establish an outreach program where community health workers travel to local locations to assess health needs and link community members to social and health care services as well as research participation opportunities.

Yes

No

Yes, traveling to locations is a necessary expense to complete the scope of work.

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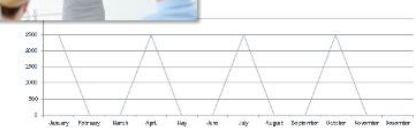
The next several slides include real-life case study examples related to cost principles.

Read each case study and answer the questions posed in the text box.

Once you are ready to submit your answers, click the Submit button.

Feedback from a subject matter expert will display.

Have fun!



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Case Study 1

A PI has a large project requiring a dedicated administrative support person. Would charges for an administrative support person be allowable as a direct cost? Think about how you determined your answer.

Good choice. This is a large project that will require a dedicated administrator. If the admin was clearly budgeted and justified in the sponsor-approved budget, you should include that documentation with the CAS exemption request. If the admin was not included in the budget and budget justification, you will need to seek sponsor approval and include it in your CAS exemption request.



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Case Study 2

A PI comes to you with a request to purchase a Fotodyne Imaging System. She explains that the current system has broken down and this piece of equipment is essential to the completion of the two projects she is currently working on. What do you do?

Talk to the PI. Can the equipment be repaired or rented? If it is determined that purchasing new equipment is the appropriate route, you will need to decide how to allocate the charge. This can be accomplished by determining the proportionate benefit each project receives. Be sure to document the reason for the purchase as well as the method of allocation.





Case Study 3

One of your PI's has asked you to place the charge for his new laptop on his NSF award. His current laptop is five years old and has started to crash due to lack of memory.

What do you do?



Find out what he's using the laptop for. If for general purposes such as checking email, writing proposals and progress reports, creating teaching materials, etc. then this is an indirect cost and cannot be directly charged to an award. However, if essential and allocable to the project, a CAS exemption can be requested.



Case Study 4

A PI came to you earlier in the week requesting the balances and end dates for all of her projects. Today, she comes in with a long list of supplies she wants to order and charge to her NIH project that is ending this month. What do you do?



Talk to her and determine if these charges are to replenish supplies on hand utilized during the conduct of her NIH project. Be sure to document with a supply log. If not, inform her it's not ok to spend down award money just to stock the supply room.





Case Study 5

A PI is traveling to a conference to make four presentations about her research.

How should this charge be allocated?



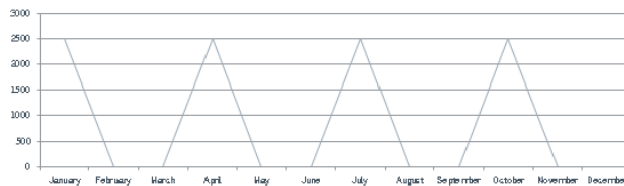
Talk to your PI. Determine which presentations relate to which projects. Travel should be allocated based on the proportional benefit to each project. One way to do this would be to assign costs relative to the number of presentations given that relate to each project. For instance, if 3 of the 4 presentations relate to project A then 75% of the cost could be assigned to project A and 25% to project B. Be sure to document your methodology for the split.

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Case Study 6

In using myinvestiGator, you notice a clear pattern of purchases between your PI's three projects. His spending appears like the image to the right. What may cause this? What do you do?



This is a difficult one to justify outright as it gives the appearance of rotating charges. Remember, rotating charges for projects is not an appropriate allocation method. Perhaps the PI is completing seasonal work? If there is a legitimate explanation, it is important to document it. Speak to the PI to determine the reason for this spending pattern and act accordingly.

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Questions & Answers

The following Research Administrators have some extra questions.
Click the Next button to reveal each answer.



My PI did not budget for administrative and clerical salaries, but I plan on submitting a CAS Exemption Request. Is this all that is needed?

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Questions & Answers

The following Research Administrators have some extra questions.
Click the Next button to reveal each answer.

If administrative and clerical salaries were not included in the approved sponsor budget you will need to work with DSP to seek sponsor approval for such costs prior to submitting a CAS exemption request.



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Questions & Answers

The following Research Administrators have some extra questions.
Click the Next button to reveal each answer.



How does a PI
determine how a
purchase should be
allocated?

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Questions & Answers

The following Research Administrators have some extra questions.
Click the Next button to reveal each answer.

A PI determines allocability
based on his or her best
estimate of the planned
use/proportional benefit at the
time of purchase. For example,
if a PI has allocated an expense
to two awards and subsequently
receives another award that
may use the item, there is no
need to reallocate the cost.



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Questions & Answers

The following Research Administrators have some extra questions.
Click the Next button to reveal each answer.



How do you handle personal days included in travel for official business? What do you do in regards to flights if your PI travels on an award and stays an extra few days for personal travel?

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Questions & Answers

The following Research Administrators have some extra questions.
Click the Next button to reveal each answer.

Cost comparisons should be included to document that the traveler covered all incremental costs with personal funds.





Questions & Answers

The following Research Administrators have some extra questions.
Click the Next button to reveal each answer.



Can a PI replenish a stockroom on a sponsored award?

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Questions & Answers

The following Research Administrators have some extra questions.
Click the Next button to reveal each answer.

A PI can replenish a stockroom on a sponsored award when stockroom supplies were used for the benefit of the award. A stockroom supply log is a sufficient source of documentation to keep track of supplies used in order to determine which supplies are to be replenished.





Questions & Answers

The following Research Administrators have some extra questions.
Click the Next button to reveal each answer.



Why do you have to
complete a CAS
Exemption Request when
the PI budgeted for the
item(s) and the sponsor
approved the item(s)?

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Questions & Answers

The following Research Administrators have some extra questions.
Click the Next button to reveal each answer.

Even when a cost is included in
the approved sponsor budget,
UF must review to ensure that
minimum threshold standards
for use or effort meet an unlike
or extraordinary circumstance.





Reporting Fraud

If you are not sure if fraud is happening, talk to someone in Finance & Accounting, a trusted advisor, a supervisor, or someone you trust.

To report potential legal, policy, or ethical conduct violations or concerns:

Anonymous Compliance Hotline: 1-877-556-5356
<https://app.mycompliancereport.com/report.aspx?cid=uofl>

University of Florida Compliance Hotline
<https://compliance.ufl.edu/uf-compliance-hotline-2/>

UF Controller's Office: 352-392-1321