

Charging Expenses to Sponsored Awards

All sponsored award expenditures must conform to Lawrence University's own Expense Policy. Additionally, all costs charged to a federally sponsored award must be reasonable, allocable to the specific project, consistent with the way the same costs are treated in like circumstances at Lawrence, and allowable under applicable federal cost principles, agency-specific policies, award-specific terms and conditions, and Lawrence policies. The following guidelines have been established to determine if an expense is allowable:

1) Budgeted Funds

If an expense was included in the budget approved by the funding agency, it is generally safe to assume that it is "allowable, allocable, and reasonable" and can be charged to the grant. But most often, if there is a question about whether an expense can be charged to a federal grant, it is because it is not exactly what was in the approved budget.

If the proposed expense differs from the approved budget but is within the approved scope of work, it is possible that you may be able to charge it to your federal grant. This depends on whether the grant terms and conditions include "rebudgeting authority" or the ability to shift grant money from one line item to another. You should consult your CFSR grants officer for prior approval of expenses that differ from your grant budget.

Your grants officer may advise that you consult your federal program officer or federal grants management officer for approval of a rebudgeting request. Depending on the terms and conditions of your grant, prior approval of the funding agency may be required before you may incur expenses that differ from your approved budget.

2) Allowable, Allocable, and Reasonable

All expenditures of federal funds must be allowable, allocable, and reasonable. Your CFSR grants officer can review your proposed expense and help advise you on whether it meets this test. Your grants officer may advise that you consult your federal program officer or federal grants management officer.

Allowable means that the cost is permitted under the Federal Cost Principles standards set out in 2 CFR 200, conforms to any limits or exclusions established under 2 CFR 200, and is permitted under the granting agency's rules and regulations and the specific terms and conditions of the grant. In general, costs are assumed to be allowable that are within an approved project budget that was reviewed prior to submission by a Corporate, Foundation, and Sponsored Research officer and was approved by the funding agency. Before incurring any sponsored project procurement costs that are in excess of budgeted amounts or for goods or services that are substantively different from, or are not included in, the approved project budget, Project Directors, Principal Investigators, and other project key personnel should confer with their CFSR officer to determine whether prior approval is required for the cost to be allowable.

Allocable generally means that (1) the cost is incurred solely to advance to work under the grant or sponsored agreement. Occasionally, grant (or cost share) funds may be used for a portion of the cost of goods or services that (2) benefit both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or that are (3) necessary to the overall operation of the institution and, in light of the principles provided in 2 CFR 200, are deemed to be assignable in part to the federally sponsored project. In the case of (2) or (3), the portion of the cost that is allocated

to the sponsored project should be proportionate to the relative benefit. See 2 CFR 200 for complete details.

Reasonable means that the expenditure passes the “prudent person test.” Would a prudent person, in the prevailing circumstances at the time the spending decision is made, take the same action with respect to the choice of item or service selected and cost for that item or service? See 2 CFR 200, especially Basic Considerations, Section 200.404, for detailed guidance on reasonable costs. In general, purchases made in compliance with the Lawrence University Procurement Policy for Federally Sponsored Projects and in particular with the guiding principles (described in that policy) of necessity, competition, value, and equal opportunity are assumed to be reasonable.