

Allowable Costs Policy

Allowable Costs on Sponsored Projects: Policy & Operational Procedure

Policy Sections

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Policy Statement

It is the policy of the Aspen Center for Physics (ACP or the Center) to charge costs to sponsored projects in a manner consistent with Office of Management & Budget (OMB) Circular A-122, sponsor policies, and award terms and conditions. This Policy and Operational Procedure ensures that costs charged to a sponsored award are allowable, allocable, reasonable, and accounted for consistently.

Reason for Policy

As a recipient of Federal funding, ACP is subject to numerous financial accounting and compliance standards, including but not limited to those set forth in OMB Circular A-122. Failure to adhere to the provisions of this Policy and Operational Procedure may result in the Center's sponsors, or other government agencies, disallowing costs or imposing other sanctions.

Who Should Know This Policy

- Principal Investigators
 - Administrative Staff
 - Winter Conference/Summer Workshop Organizers
 - Proposal Committee
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- Officers
 Trustees
 General Members
 Other: _____
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Contacts

Subject	Contact
Policy Questions	Corporate Secretary
Finance Procedure Questions	Administrative Vice President Finance Manager

Applicable ACP Policies

- Participant Support Costs: Policy & Operational Procedure
 - Sponsored Project Program Income: Policy & Operational Procedure
 - Direct & Indirect Charging of Sponsored Projects: Policy & Operational Procedure
 - Chart of Accounts: Operational Guidance
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Determination of Allowability at ACP

Introduction and Definition:

This Policy and Operational Procedure defines the allowable costs on ACP's sponsored projects. Because sponsors award projects to the Center for a specific purpose, funds may only be spent to further the project's objectives and in accordance with all applicable cost allowability rules. For purposes of this Policy and Operational Procedure, ACP defines a sponsored project as any grant, contract, or other agreement between ACP and the Federal government or other grantor agency. (This does not include donations or gifts from individuals or corporations.)

Determining Allowable Costs:

Allowable costs are those that are reasonable, allocable, accounted for consistently, and not specified as unallowable by the terms of the award or sponsor regulation or policy, i.e., OMB Circular A-122, the NSF Award & Administration Guide and other applicable sponsor regulations.

It is the responsibility of the Principal Investigator, supported by Administrative Staff, to monitor the award and ensure that all costs charged to an award meet the applicable criteria.



Allowability of Specific Items of Cost:

This section addresses how this Policy and Operational Procedure applies to specific types of costs commonly incurred at ACP, and focuses on the major factors to be considered, including restrictions and guidelines of the award sponsor, when determining allowability for specific items of cost.

Personnel Expenses:

- *Compensation (Salaries, Wages and Fringe Benefits):* Salaries, wages, and fringe benefits for personnel (ACP Administrative Staff) are allowable costs on sponsored projects to the extent that the amount charged is reasonable in relation to the work performed.

Non-Personnel Expenses:

- *Participant Support:* The majority of direct costs awarded to and expended by ACP on sponsored projects are in the Participant Support category. Participant Support costs are for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants at ACP (but not employees) in connection with the Summer Program and Winter Conferences. These costs are allowable with the prior approval of the awarding agency.

Participant Support travel costs must meet the criteria established in the ACP travel procedures and any additional travel guidelines or regulations outlined in the sponsored project award document.

Participant Support expenses that meet these guidelines and that were included in the awarded budget require no further approval and can be directly charged to a sponsored project. If Participant Support was not included in the awarded budget, refer to the specific sponsor guidelines regarding the allowability of Participant Support as some sponsors may require prior approval of the costs.

- *Supplies:* Supplies are allowable if they are purchased to directly benefit the project. Clerical and Office Supplies are allowable in certain circumstances where they are necessary to complete the project, will not be used on another project and can be allocated to the sponsored project with a high degree of accuracy.
- *Meals & Entertainment:* Generally, costs associated with entertainment are not allowable on sponsored awards. Examples of items that are not allowable as Entertainment Expenses are listed below:
 - Alcohol
 - Magazines/Newspapers
 - Movies
 - Flowers
 - Gifts/Souvenirs
 - Concerts/Events



Meals associated with an activity that specifically furthers the goals of a sponsored project (such as a poster session at a specific Winter Conference) may be charged as a direct cost to the sponsored project only when explicitly included in the project budget

- *Other:* Additional types of non-personnel costs incurred by ACP are allowable to the extent that they are allowable per the sponsor regulation and award terms and conditions and the amount charged reflects the proportional benefit received.

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- **Control Environment**

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- Program budgets are set annually by a collaboration with the Treasurer and Finance Manager and are approved by the Trustees. The Finance Manager codes expenses within the parameters of these budgets. The Administrative Vice President reviews expense coding and immediately corrects any errors or departures from policy. Should there be any misuse of funds, PIs and Officers will immediately direct a cost transfer (see ACP Cost Transfers Policy). PIs review grant expenses quarterly and will address questioned costs within the next 30 days.

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- The ACP Sponsored Programs Reference Manual gives more guidance on allowability and is distributed to all parties involved with financial grant management. In addition to the Manual, the ACP Procurement Policy provides a list of unallowable expenses. Indirect Costs are also discussed in the Manual and in the Indirect Cost Rate Proposal.

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- **Risk Assessment:**

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- Changes to the financial reporting system including the cost accounting systems will adhere to all ACP financial policies and procedures and will be made in order to comply with federal regulations or in order to provide better accounting for the Center. The President, Treasurer and Administrative Vice President, and the Computer Committee if computing changes are involved, will be consulted on major software changes and the Administrative Vice President and/or PIs will be consulted on accounting changes made to improve federal compliance.

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- Due to the small nature of the Center, management is able to review all transactions so unallowable expenses are easily detected. In addition, the Center's accounting system is in the Cloud, so is fully accessible to management.

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- **Control Activities**

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- To ensure consistent distribution of charges, ACP has prepared a Chart of Accounts document delineating the proper use of all general ledger codes. See Chart of Accounts Definitions: Operational Guidance in this Manual.

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- The Finance Manager will update the ACP Bookkeeping Manual, the ACP Policies and Procedures Manual, the ACP Sponsored Programs Reference Manual, the ACP website and database as needed when there is a policy or procedural change.

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- Computational accuracy is ensured for GL accounts tied to the ACP database for program income (ties to registration fees) and reconciliations are done each season. The Finance Manager reviews all coding to make sure the proper object code was used. See the ACP Cost Transfers Policy for procedures for correcting unallowable or miscoded expenses. When a new expense is incurred, documentation is reviewed to code it to the correct fund and allowable or unallowable object code.
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- Consult the Roles & Responsibilities document in this manual for the segregation of duties between review and authorization of costs. Training is conducted for staff, officers and PIs so they will be knowledgeable about allowable costs. Trainings are recorded for each individual in the ACP database.
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- **Information and Communication**
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- Due to ACP's annual schedule, the ACP Board meets once in July and once in August. Financial reports are prepared for Board dissemination and study for one of those meetings. An annual budget is prepared at that time. PIs review quarterly Revenue and Expense reports to check allowable expenses and to track budget to current.
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- Allowable expense and other policies are posted on the ACP website. Internal manuals are circulated to the responsible parties. ACP management and staff communicate regarding costs that diverge from standards. Should employees find an anomaly there is a Whistleblower Policy in place if ordinary methods of righting a known problem are ineffective. Employees sign a procurement standard upon employment and receive training as needed on allowable costs.
- The ACP subscribes to "Policies and Procedures - All NSF Policies and Procedures for National Science Foundation Update" so receives emails from its cognizant agency. Staff does have access to grant agreements and grant circulars.
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- **Monitoring**
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- The Administrative Vice President, as the PI's designee, reviews all supporting documentation for allowable expenses. Quarterly grant reviews and annual Board reports on budgets allow management to compare budget to actual. Should an egregious variance occur, the Treasurer will investigate.
- ACP contracts for an annual external audit, which compares prior year expenses to current. At an annual exit meeting, the auditor informs officers of any problems. Management follows up on the auditors' recommendations for improvement and/or compliance.
- Management is included and usually is the key communicator on emails from federal agencies.



Roles & Responsibilities

Principal Investigator: Responsible for understanding sponsor and ACP regulations and for ensuring that costs are charged to sponsored projects are allowable per sponsor regulations and ACP policy.

Administrative Staff: Responsible for documenting transactions in compliance with this policy and for retaining documentation, justification and back-up for transactions. This documentation should include an explicit explanation as to how the cost benefited the sponsored project. Serve as a resource for the PI in determining the allowability of costs.

Proposal Committee: Responsible for preparing proposal budgets in compliance with this policy and applicable sponsor regulations.

Designated Officers: Responsible for supervising the Administrative Staff and reviewing and approving certain transactions and financial reports for consistency and compliance with sponsor regulations and ACP policy.

Appendix: Applicable Federal Regulations & Criteria

ACP must comply with the OMB Circular A-122, Cost Principles for Non-Profit Organizations, as it pertains to direct and indirect costs charged to Federal awards. Compliance with A-122 is implicit in this policy. (Current version revised May 10, 2004.)

GENERAL PRINCIPLES

A. Basic Considerations

2. Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria:

- a. Be reasonable for the performance of the award and be allocable thereto under these principles.
- b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both Federally financed and other activities of the organization.
- d. Be accorded consistent treatment.
- e. Be determined in accordance with generally accepted accounting principles (GAAP).
- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federally financed program in either the current or a prior period.
- g. Be adequately documented.

3. Reasonable costs. A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. The question of the reasonableness of specific costs must be scrutinized



with particular care in connection with organizations or separate divisions thereof which receive the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
 - b. The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award.
 - c. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.
 - d. Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.
4. Allocable costs.
- a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
 - (1) Is incurred specifically for the award.
 - (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
 - (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.
 - b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

Further, ACP policies regarding direct and indirect charges on NSF awards adhere to the guidelines in the NSF Award and Administration Guide, Section V.D. (Current version revised February 2014):

A. Chapter V - Allowability of Costs

Basic Considerations

Expenditures under NSF cost reimbursement grants are governed by the Federal cost principles and must conform with NSF policies, grant special provisions and grantee internal policies. ... it is the grantee organization that is ultimately responsible for ensuring that all costs charged to NSF awards meet the requirements of the applicable cost principles, grant general terms and conditions, and any other specific requirements of both the award notice and the applicable program solicitation.....

