

**NOVA SOUTHEASTERN UNIVERSITY  
OFFICE OF SPONSORED PROGRAMS  
POLICIES AND PROCEDURES**

**AWARD MAINTENANCE**

**ALLOWABLE COSTS AND EXPENDITURE CONTROL**

**EFFECTIVE 12-01-08, REVISED 12/26/2014**

**POLICY #28**

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**PURPOSE:**

To establish a policy and procedure for the review of expenditures incurred on sponsored projects to ensure the university complies with applicable laws and regulations. This policy also defines the timeframe in which project expenditures are allowed and explains cost allowableness (refer also to OSP Policy No. 30 – *Direct and Facilities and Administrative Costs*, and OSP Policy No. 31 – *Salaries, Wages, and Overload Payments*).

**DEFINITIONS:**

Allocable cost: A cost is allocable to a particular sponsored project, if the goods or services involved are specifically for the benefit of the sponsored project, it benefits both the sponsored project and other work of the university that can be distributed based on proportions that may be approximated using reasonable methods, and it is assignable in part to the sponsored project.

Allowable Cost: A cost is allowable to a sponsored project if it is necessary and reasonable for the performance of the project; it conforms to the applicable cost principles and any limitations or exclusions set forth by the sponsor; it is consistent with policies and procedures that apply uniformly to sponsor-financed and other activities of the university; it is allocable to the project; and the necessary and proper authorizations have been obtained, as applicable (also refer Office of Sponsored Programs (OSP) Policy No. 39 – *Prior Approval Requirements*).

Budget: A financial plan for a sponsored project, including the original approved budget and any approved revisions. Revisions may require prior approval by the sponsor for the award. Refer to OSP Policy No. 39 - *Prior Approval Requirements*.

Direct cost: 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. Typical costs charged directly to a sponsored award include compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and supplies, and other items of expense (including subawards) that are specifically identifiable to the sponsored project.

Facilities and Administration (F&A) Costs/Indirect Costs: Those costs incurred for a common or joint purpose benefitting more than one cost objective that cannot be readily assigned to a particular sponsored project. F&A costs are also referred to as "indirect costs". Examples of F&A costs include:

- Depreciation and interest costs associated with the University's physical plant
- Operating and maintenance costs such as utility costs, security costs, and custodial costs
- Common administrative functions such as payroll and purchasing

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Obligation: Amounts of orders placed for goods and services, contracts and subawards made, and similar transactions during a given period that require payment by the recipient during the same or a future period.

Period of performance: The time during which the university or any subrecipients may incur new obligations to carry out the work authorized under the sponsored project. The period of performance begins with the start date (unless pre-award expenditures have been approved by the sponsor - refer to OSP Policy No. 27 – *Pre-Award Costs*) and concludes at the end date, as indicated on the award document issued by the sponsor. This time period may include authorized extensions or non-competitive renewals.

Project/program: The identified activities approved and supported by the sponsor.

Project Cost (Outlay): Total allowable direct costs and indirect costs incurred under the sponsored program including all required cost sharing, voluntary committed cost sharing, and third-party contributions. The project cost may be reported on a cash or accrual basis.

Reasonable cost: A cost that 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 cost. In determining reasonableness of a given cost, consideration must be given to (a) whether the cost is of a type generally recognized as ordinary and necessary for the performance of the sponsored project, (b) the restraints or requirements imposed by such factors as arm's length bargaining, federal and state laws and regulations, and sponsored agreement terms and conditions, (c) market prices for comparable goods or services for the geographic area; (d) whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the university, its employees, its students or membership, the public at large and the sponsor, and (e) whether the university significantly deviates from its established practices and policies regarding the incurrence of costs.

Unallowable cost: A cost that is not allowed to be charged to a sponsored project.

**POLICY:**

Only allowable costs/expenditures/obligations that are incurred during the designated period of performance may be charged to the sponsored project. The Principal Investigator/Project Director (PI/PD) is primarily responsible for ensuring that expenditures and obligations on sponsored projects are allowable and incurred during the period of performance. The Office of Sponsored Programs (OSP) and the Contracts and Grants Accounting Department (CGA) provide additional support in monitoring expenditures for the sponsored project.

**REFERENCES:**

- OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200, <https://federalregister.gov/a/2013-30465>

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- OMB Federal Awarding Agency Regulatory Implementation of Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, <https://www.federalregister.gov/articles/2014/12/19/2014-28697/federal-awarding-agency-regulatory-implementation-of-office-of-management-and-budgets-uniform>
- NIH Grants Policy Statement, <http://grants.nih.gov/grants/policy/policy.htm#gps>
- NSF Proposal and Award Policies and Procedures Guide, <http://www.nsf.gov/bfa/dias/policy/>
- HHS Grants Policy Statement, <http://www.hhs.gov/grants/grants/policies-regulations/index.html>
- NSU Office of Procurement Management Policies and Procedures, <http://nova.edu/procurement/policies.html>
- NSU Financial Operations Accounting and Financial Policies and Procedures, Finance Policy 127 <http://www.nova.edu/fop/forms/policies.pdf>
- NSU Office of Human Resources Employee Policy Manual, <http://www.novaedu/hr>
- NSU Office of Academic Affairs Faculty Policy Manual, <http://www.nova.edu/academic-affairs/index.html>

**PROCEDURES:**

1. Typical costs charged directly to a federal award include compensation of employees who work on that award (refer to OSP Policy 38 – *Effort Reporting* for procedures), related fringe benefit costs (refer to OSP Policy 6 – *Fringe Benefits*), the costs of materials, and other items of expense incurred specifically for the sponsored award.
  - a. Salaries of administrative and clerical staff should normally be treated as indirect (facilities and administrative) costs; however, direct charging of these costs may be appropriate only if all of the following conditions are met:
    - i. Administrative or clerical services are integral to a project or activity;
    - ii. Individuals involved can be specifically identified with the project or activity;
    - iii. Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency as applicable; and
    - iv. The costs are not also recovered as indirect costs.
  - b. In the case of computing devices which are not classified as equipment (refer to OSP Policy No. 32 – *Equipment Purchase with Sponsored Project Funds* for definition), charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of an award.
2. All direct costs/expenditures on sponsored projects will be initiated and authorized by the Principal Investigator/Project Director (PI/PD). Both the PI/PD and the College/Center to which the PI/PD reports bear the responsibility for:
  - a. determining allowability of the costs/expenditures, including the appropriate allocation of costs to the sponsored project(s),
  - b. determining that costs charged to sponsored projects are incurred during the period of performance,

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- c. verifying that sufficient funds are available on the sponsored program account before initiating or approving any obligations and expenditures; and
  - d. including the necessary and appropriate documentation/justification to support the expenditure for the sponsored project.
3. After non-personnel expenditures and obligations are approved by the PI and the College/Center, they may be forwarded to the Office of Procurement Management if applicable (i.e., vendor goods and services), and then will forward to the OSP for review and verification of allowability. During the review process, the OSP may question any expenditure, request additional justification, or deny any expenditure if it is determined to be unallowable, unreasonable, or inconsistent with sponsor policies, cost principles, and/or university policies.
4. If the commitment or expenditure is determined to be allowable, it will be approved by OSP and will move on for further processing (i.e., to Accounts Payable for payment, to Office of Procurement Management for issuance of purchase order, etc.).
5. If a commitment or expenditure appears to be unallowable to the sponsored project, (i.e., the cost does not meet criteria for allowability defined in this policy, the cost is incurred outside the period of performance, etc.), the OSP will seek additional clarification, information or justification from the PI/PD and his/her College/Center. If the obligation or expenditure is finally determined to be unallowable, the OSP will reject the item.
6. CGA coordinates with PI/PDs to conduct periodic and after-the-fact review of charges that are posted to sponsored program accounts to make sure that no unallowable or unallocable costs were charged. After this review, CGA works with the PI/PDs to prepare periodic financial reports.
7. The College/Center to which the PI/PD reports will bear the responsibility for the resolution of any overdrafts to the sponsored program account or any costs that are determined to be unallowable to the sponsored program.