Western Michigan University
Federal Costing Principles Policy

Purpose

The purpose of this policy is to identify the principles used to determine whether costs incurred at Western Michigan University are allowable or unallowable as direct costs or as facilities and administrative costs (F&A costs). The policy applies to both costs charged to sponsored agreements and cost sharing.


Expenses incurred on sponsored program accounts must be allowable, reasonable, allocable, and consistently treated between a direct cost and something normally treated as an indirect or an F&A cost. Sufficient documentation must be available (attached to transaction, maintained in department, etc.) to demonstrate that the basic cost principles are met.

- **Allowable**: The cost must comply with the policies and procedures of WMU, as well as the specific project terms and conditions of the agreement, and be adequately documented; 2 CFR 200.403
- **Reasonable**: The cost does not exceed that which would be incurred by a prudent person; 2 CFR 200.404
- **Allocable**: The cost does must be allocated to the project(s) in accordance with the benefits received; 2 CFR 200.405
- **Consistently Treated**: The cost must be accorded consistent treatment; i.e. an expense may not be charged to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the award as an indirect cost; 2 CFR 200.403

In addition to the above, allowable project expenses must be needed, received and used within the project period.

**Needed, Received and Used**

Expenditures that occur close to the project end date need to be reviewed with the "needed, received, and used" concept. Allowable purchases during the last three months of a project need to meet the following criteria:

The expenditures must be
- needed to complete the project objectives;
- be allowable according to the cost principles, and;
- be purchased and used during the project period,

Exceptions are publications costs (within the 90 – 120 closeout period) with specific agency approval.

Exceptions to the "needed, received, and used" concept are granted for pre-award costs, and for continuation projects, when allowed by the terms and conditions, and are funded by the same agency.

Please check with the Grants and Contracts Office for further information. While the above logic may convince some of the need for the "needed, received, and used" concept others may
disagree. If a department feels strongly that a particular transaction is appropriate, they can approve the purchase on a departmental unrestricted account pending written approval from the funding agency. Once written approval is received, the expenditure can be transferred to the project account.

The table below gives information regarding the allowability of some of the most common items of cost. In the case of a discrepancy, the provisions of the specific agreement should govern.

<table>
<thead>
<tr>
<th>Cost</th>
<th>Normal Federal Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, Wages, &amp; Fringes:</td>
<td>Administrative and clerical salaries (in certain circumstances) AND programmatic salary costs can be included on competitive proposal budgets.</td>
</tr>
<tr>
<td>Faculty, AY &amp; Summer</td>
<td>Administrative and Clerical Salaries</td>
</tr>
<tr>
<td>Graduate Assistants</td>
<td>In general, administrative and clerical salaries should still not be direct charged, but the rules governing “major project or activity” exceptions have been dropped and replaced by the following criteria, all of which must be met:</td>
</tr>
<tr>
<td>Technical</td>
<td>1. Administrative or clerical services are integral* to a project or activity;</td>
</tr>
<tr>
<td>Administrative &amp; Clerical</td>
<td>2. Individuals involved can be specifically identified with the project or activity;</td>
</tr>
<tr>
<td>2 CFR 200.430</td>
<td>3. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and</td>
</tr>
<tr>
<td>2 CFR 200.413</td>
<td>4. The costs are not also recovered as indirect costs.</td>
</tr>
<tr>
<td></td>
<td>If all of these requirements are met, PIs/departments should add a new justification statement to proposals to facilitate the required agency approval.</td>
</tr>
<tr>
<td></td>
<td>*WMU interpretation: (1) the services are essential, vital, or fundamental to the project or activity; AND (2) a minimum of 15% FTE is budgeted in the grant’s budget year or there are documented special circumstances.</td>
</tr>
<tr>
<td></td>
<td><strong>Programmatic Salary Costs</strong></td>
</tr>
<tr>
<td></td>
<td>Costs related to protocol development and maintenance, managing substances/chemicals, managing and securing project-specific data, and coordination of research subjects are allowable direct costs when they are “contributing and directly related to work under an agreement.” Thus, these programmatic costs may be direct charged using the same underlying requirements as other types of direct costs, and are not subject to the extra approval requirements required of administrative and clerical costs. They are still subject to all regular costing requirements (e.g., allocability, reasonableness, allowable by terms of the award, incurred within award period).</td>
</tr>
</tbody>
</table>
### Advertising

2 CFR 200.421

<table>
<thead>
<tr>
<th>Allowable if incurred for:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Recruitment of personnel required for the performance of obligations under federal agreements,</td>
</tr>
<tr>
<td>• Procurement of goods and services for the performance of federal agreements,</td>
</tr>
<tr>
<td>• Disposal of scrap or surplus materials acquired in the performance of federal agreements, or</td>
</tr>
<tr>
<td>• Other specific purposes necessary to meet the requirements of federal agreements.</td>
</tr>
</tbody>
</table>

### Alcoholic beverages

2 CFR 200.423

| Under no circumstances can such purchases be charged (directly or indirectly) to federal agreements. Alcoholic beverages may be purchased with University funds only with special permission. |

### Alumni/development

2 CFR 200.424

| Unallowable |

### Business meals and meeting costs

2 CFR. 200.432

| Allowable when permitted by agency guidelines. |

### Donations and contributions

2 CFR. 200.434

| Unallowable |

### Entertainment Costs

2 CFR 200.438

| Unallowable |

### Computing Devices (Under $5,000 Unit Cost)

2 CFR 200.33
2 CFR 200.48
2 CFR 200.89
2 CFR 200.439
2 CFR 200.453c

| Computing devices can be included on competitive proposal budgets. |
| Computing devices under $5,000/unit may be direct charged to the project or activity under the following circumstances: |
| • The machines are essential* and allocable to the project in that they are necessary to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. |
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<table>
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<tr>
<th>Category</th>
<th>Allowable Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>Allowable when equipment is necessary and will be used primarily, or exclusively, for the project(s) to which the costs will be charged. A certification to this effect should appear on the equipment requisition. Note that to be classified as equipment, individual items must have a useful life of more than one year and cost $5,000 or more. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement method.</td>
</tr>
<tr>
<td>Fines and penalties</td>
<td>Unallowable</td>
</tr>
<tr>
<td>Goods or services for personal use</td>
<td>Unallowable</td>
</tr>
<tr>
<td>Local telephone</td>
<td>Since these costs can support all activities of a unit, they are recovered through the Facilities and Administrative rate. Local telephone service charges normally should not be charged directly to federal agreements. However, in those instances where the phone will be used exclusively for the federal project, the charges may be directly charged to the federal program.</td>
</tr>
<tr>
<td>Topic</td>
<td>Description</td>
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<tr>
<td>-------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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<tr>
<td>Long distance telephone</td>
<td>Telephone toll charges, telegrams, etc. can be charged directly when they can be specifically identified with a project.</td>
</tr>
<tr>
<td>Losses on federal projects</td>
<td>Cost overruns from one project may not be transferred to another project.</td>
</tr>
</tbody>
</table>
| Materials (supplies, purchased materials, and fabricated parts) | There are two broad categories of supplies – Project Supplies and Office Supplies.  
**Project Supplies** are items such as pens, pencils, folders, notebooks, beakers etc. that can be identified as being "exclusively for the support" of a sponsored agreement.  
**Project Supplies are allowable as direct charges.**  
**Office Supplies** are items such as wall clocks, calendars, waste cans, paper punches, University letterhead, staplers, etc. that would likely be used for other purposes. **Office Supplies cannot be charged to federal agreements.** |
| Memberships                                | Memberships in civic or community organizations, country clubs, or social/dining clubs are unallowable.                                                                                                         
The cost of memberships in professional organizations and associations that directly benefit federal projects are allowable, subject to the following:  
- The payment of dues for *institutional* memberships (not on behalf of/or in the name of an individual faculty or staff member), are allowable.  
- Occasionally, it is necessary to pay *individual* membership dues in order to obtain reduced entry to meetings. When documented, the portion of the individual membership dues related to reduce meeting fees is allowable.

Under special circumstances, individual memberships may be allowed on an annually approved basis if essential to a specific research project. Specific approval by the funding source is required. |
### Postage

**2 CFR 200.453**

Since these costs are generally small, difficult to track on an individual basis, and can support all activities of a unit, they should be recovered through the F&A rate and, therefore should not be charged to federal agreements. However, where a project requires specifically identifiable, large mailings, direct charges of postage charges are allowable.

### Pre-agreement costs

**2 CFR 200.458**

Costs incurred prior to the effective date of a sponsored agreement are unallowable unless approved by the sponsoring agency.

### Professional services

**2 CFR 200.459**

Consultant & speaker fees are an allowable charge to sponsored agreements. Please check with sponsor guidelines for specifics. Please do not use the term "honorarium" for consultant & speaker fees.

### Proposal costs

**2 CFR 200.460**

Proposal costs for new projects should be charged to non-federal funding sources and will be included in the F&A rate. However, costs for non-competing continuations can be charged directly to those agreements.

### Scholarships and student aid costs

**2 CFR 200.466**

Restricted to training grants and fellowship awards.

### Travel costs

**2 CFR 200.474**

Travel costs providing direct benefit to project activities are allowable. *Airfare* costs must be at the lowest available fare. **Special note for foreign travel using federal funds** – "The Fly America Act" requires that air travel to any foreign country (including Canada and Mexico) must take place on a U.S. flag air carrier, if available (even if the foreign carrier is less expensive). A U.S. flag air carrier is defined as "an air carrier holding a certificate under section 401 of the Federal Aviation Act of 1958. Foreign air carriers operating under permits are excluded."
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**Sources of Federal Guidelines**

  

**Sources of Other Pertinent University Policies**

- WMU Unallowable Cost – Reasonableness Doctrine

Last Updated 7/2016
Grants and Contracts Office