FEDERAL COSTING PRINCIPLES PROCEDURE

1. **Needed, Received and Used Exceptions**
   Check with the Grants and Contracts Office first. While the Needed, Received and Used Policy 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.

2. **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. Below is a listing of cost and the normal Federal treatments.
   
   2.1. **Salaries, wages and fringe**
      
      2.1.1. (2 CFR 200.430, 2 CFR 200.413) Faculty, AY and summer graduate assistants, technical, administrative and clerical
      
      2.1.1.1. Administrative and clerical salaries (in certain circumstances) and programmatic salary costs can be included on competitive proposal budgets.

      Administrative and Clerical Salaries 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:

      2.1.1.1.1. Administrative or clerical services are integral* to a project or activity;
      2.1.1.1.2. Individuals involved can be specifically identified with the project or activity;
      2.1.1.1.3. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
      2.1.1.1.4. The costs are not also recovered as indirect costs.

      If all of these requirements are met, PIs/departments should add anew justification statement to proposals to facilitate the required agency approval.

      * 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.
2.1.1.2. Programmatic salary 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., allowability, allocability and reasonableness, by terms of the award, incurred within award period).

2.2. Advertising
2.2.1. (2 CFR 200.421) Allowable if incurred for:
   2.2.1.1. Recruitment of personnel required for the performance of obligations under federal agreements,
   2.2.1.2. Procurement of goods and services for the performance of federal agreements,
   2.2.1.3. Disposal of scrap or surplus materials acquired in the performance of federal agreements, or
   2.2.1.4. Other specific purposes necessary to meet the requirements of federal agreements.

2.3. Alcoholic beverages
2.3.1. (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.

2.4. Alumni/development
2.4.1. (2 CFR 200.424) Unallowable

2.5. Business meals and meeting costs
2.5.1. (2 CFR 200.432) Allowable when permitted by agency guidelines.

2.6. Donations and contributions
2.6.1. (2 CFR 200.434) Unallowable

2.7. Entertainment costs
2.7.1. (2 CFR 200.438) Unallowable

2.8. Computing Devices (Under $5,000 unit cost)
2.8.1. (2 CFR 200.33, 2 CFR 200.48, 2 CFR 200.89, 2 CFR 200.439, 2 CFR 200.453c) Computer 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:
   2.8.1.1. 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.
   2.8.1.2. The project does not have reasonable access to other devices or equipment that can achieve the same purpose; devices may not be purchased for reasons of convenience or preference.
2.8.1.3. Items costing more than $5,000 per unit are considered equipment and follow federal equipment rules regarding when they can be directly charged.

*PIs are responsible for determining whether or not the device is “essential” and to what extent the cost of the device is allocable to the sponsored project. PIs and department should maintain documentation that describes how the proposed computing device meets the above requirements.

2.9. **Equipment**

2.9.1. (2 CFR 200.439, 2 CFR 200.318) Allowable when equipment is necessary and will be used primarily, or exclusively, for the project(s) to which they 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 like of more than one year and cost $5,000 or more. Where appropriate, and analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement method.

2.10. **Fines and penalties**

2.10.1. (2 CFR 200.441) Unallowable

2.11. **Good or services for personal use**

2.11.1. (2 CFR 200.445) Unallowable

2.12. **Local telephones**

2.12.1. (2 CFR 200.Appendix III) 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.

2.13. **Long distance telephone**

2.13.1. (2 CFR 200.Appendix III) Telephone toll charges, telegrams, etc. can be charged directly when they can be specifically identified with a project.

2.14. **Losses on federal projects**

2.14.1. Cost overruns from one project may not be transferred to another project.

2.15. **Materials** (supplies, purchased materials and fabricated parts)

2.15.1. (2 CFR 200.453) There are two broad categories of supplies – Project Supplies and Office Supplies

2.15.1.1. Project Supplies are items such as pens, pencils, fodders, notebooks, beakers, etc. that can be identified as being “exclusively for the support” of a sponsored agreement. Project supplies are allowable as direct charges.

2.15.1.2. 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.

2.16. **Memberships**

2.16.1. (2 CFR 200.454) 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:

2.16.1.1. The payment of dues for institutional memberships (not on behalf of/or in the name of an individual faculty or staff member), are allowable.

2.16.1.2. 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 annual approved basis if essential to a specific research project. Specific approval by the funding source is required.

2.17. Postage

2.17.1. (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.

2.18. Pre-agreement costs

2.18.1. (2 CFR 200.458) Costs incurred prior to the effective date of a sponsored agreement are unallowable unless approved by the sponsoring agency.

2.19. Professional services

2.19.1. (2 CFR 200.459) Consultant and 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 and speaker fees.

2.20. Proposal costs

2.20.1. (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.

2.21. Scholarships and student aid costs

2.21.1. (2 CFR 200.466) Restricted to training grants and fellowship awards

2.22. Travel costs

2.22.1. 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 US flag air carrier, if available (even if the foreign carrier is less expensive). A US 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.”

3. Related Policies

Federal Costing Principles Policy