



Ohio Administrative Code

Rule 3358:5-11-26 Determining allowable cost policy.

Effective: November 15, 2022

The purpose of this policy is to ensure federal funds received by Clark state college are spent only on allowable activities in accordance with CFR Part 200 Subpart E Cost Principles, other special terms or conditions of the grant award, and/or other applicable state and federal guidelines. The college is committed to ensuring that all expenditures are appropriate and are conducted in accordance with sponsor terms and conditions as well as regulations. The business office has the authority to approve or reject expenditures based on allow-ability and reasonableness.

The federal government is the largest sponsor of externally funded activity at Clark state college. The cost principles relating to expenditures on federal awards are contained in the office of management of budgets (OMB) uniform administrative requirements, cost principles and audit requirements for federal awards, final rule (uniform guidance). These cost principles require that any expense charged to a federally sponsored project be reasonable and necessary, allocable, consistently treated, and conform to any limits or exclusions set forth in uniform guidance or the terms and conditions of the award. In addition, individual awards may include special terms and conditions, which must be considered before allocating certain costs to the award.

This document outlines the general procedure for determining allowable costs on federally sponsored awards. The goal of this document is to provide clear guidance as to what costs constitute appropriate expenses to sponsored projects as well as to achieve consistency in expensing practices across Clark state college.

All employees who are involved with the administration of sponsored agreements should be familiar with this policy. This includes business administrators and departmental sponsored project administrators, deans, chairs, principal investigators and other research personnel who are involved with sponsored awards.

(A) Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards and most other grant-sponsored programs:



- (1) The cost must be necessary and reasonable for the performance of the federal award or sponsored agreement and 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 cost.
 - (2) The cost must be allocable to a particular project when it has a direct benefit and can be directly attributable to the project or activity being performed.
 - (3) The cost must be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the college.
 - (4) The cost is consistently treated when used in like circumstances (i.e., as direct or indirect costs).
 - (5) The cost must be allowed by Clark state college policy, sponsor policies, and costs conform to any limitations or exclusions set forth by section 200.403 principles or are identified in the federal award.
- (B) A cost is reasonable if the nature of the goods or services acquired or applied, and the amount involved, reflect the action that a prudent person would have taken under the prevailing circumstances when the decision to incur the cost was made. Important consideration in determining the reasonableness of costs are:
- (1) Is the cost of a type generally recognized as necessary for the operation of the college or the performance of the sponsored project?
 - (2) Have the restraints or requirements imposed by such factors as federal and state laws and regulations, sponsored agreement terms and conditions, and arms-length bargaining been satisfied?
 - (3) Have the individuals concerned acted with due prudence in the circumstances, considering their responsibilities of the institution, its employees, its students, the government, and the public at large?
 - (4) Is the extent of the actions taken with respect to the incurrence of the costs (i.e., hiring decision, choice of goods or services, determination of salary or price, vendor selection, etc.) consistent with



established Clark state college policies and practices applicable to the work of the institution generally, including sponsored projects?

(C) A cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Every incurred cost must have a direct benefit to the sponsored project being charged. In general, a cost is allocable to a particular sponsored project if it fulfills one of the following conditions:

- (1) It is incurred solely to advance the work under the sponsored agreement; or
- (2) it benefits both the sponsored agreement and other work of the college, in proportions that can be approximated through use of reasonable methods; or
- (3) it is necessary to the overall operation of the college and, in light of the principles provided in OMB uniform guidance, is deemed assignable in part to sponsored projects.

(D) If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefited college departments/projects on any reasonable basis as established by grant guidelines.

(E) In the rare instances in which a proper cost allocation cannot ultimately be determined using any reasonable methods, the cost may be charged to a single sponsored project.

(F) Where the purchase of equipment or other capital items is specifically authorized under a sponsored agreement, the amounts thus authorized for such purchases are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.

(G) Any costs allocable to a particular sponsored agreement under the standards provided in OMB uniform guidance may not be shifted to other sponsored agreements in order to meet deficiencies



caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.

(H) Any costs allocable to activities sponsored by industry, foreign governments, or other sponsors may not be shifted to federally sponsored agreements.

(I) Applicable laws, regulations, and guidance

CFR Part 200 Subpart E