Policy 4.17

Costing Policy

Beaufort County Community College (BCCC) will adhere to the Office of Management and Budget's (OMB) Uniform Guidance (2 CFR, Part 200 Subpart E) regarding the treatment of costs on sponsored project activities (direct and indirect) that can be billed to the federal government. The Uniform Guidance applies to all federally funded projects including federal funding through a non-federal agency. The cost principles also identify those charges that typically cannot be charged to sponsored awards and are considered Unallowable expenses.

The OMB Uniform Guidance (§200.420 through §200.475) lists costs that are Allowable and not Allowable as an expense on a Federal award. Many sponsors have policies that address costs that are Allowable.

Allowable Costs

A cost that is Allowable must also be:

- Necessary and Reasonable for the performance of the award and be Allocable.
- Conform to any award limitations or exclusions.
- Consistent with policies and procedures that apply to both Federal and other non-Federal activities.
- Consistently treated.
- Determined in accordance with generally accepted accounting principles (GAAP).
- Not 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.
- Adequately documented.

Reasonable Costs

Typical tests to determine if a cost is Reasonable:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- The restraints or requirements imposed by such factors as sound business practices; arms-length bargaining; Federal, state, and other laws and regulations; and terms and conditions of the Federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.
- Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

Allocable
This standard is met if the cost:

- Is incurred specifically for the sponsored project;
- Benefits both the sponsored project and other work of the College and can be distributed in proportions that may be approximated using Reasonable methods; and
- Is necessary to the overall operation of the College and is assignable in part to the sponsored project.

Direct Costs
The salaries of administrative and clerical staff should normally be treated as Indirect (F&A) Costs. Direct charging of these costs may be appropriate only if all the following conditions are met:

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

Materials and supplies used for the performance of a sponsored project may be charged as Direct Costs. In the specific case of Computing Devices, charging as Direct Costs is Allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.

Consistent treatment of costs is required on federal awards. A cost may not be assigned 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 Federal award as an Indirect Cost.

Indirect Costs
Indirect Costs are costs incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Indirect Costs at higher education institutions are infrastructure costs of the College needed to support the programs of the institution including other sponsored programs. Building depreciation, maintenance costs, the cost of electricity and heat, accounting services, personnel services, departmental administration, purchasing, and human subject administration are examples of Indirect Costs.

Review of Costs
The Principal Investigator (PI) or their delegate must perform a documented review of costs charged to sponsored projects in a timely manner to ensure allowability of costs in accordance with the Uniform Guidance and/or the terms of the specific contract or grant. In addition to the review of costs, a comparison of expenditures with budget amounts must also be performed to verify budget accuracy and determine if a budget revision is necessary.

Unallowable Costs
It is expected that costs will be posted to the correct grant or contract at the time of purchase. However, if an Unallowable cost is discovered, and the transfer of a charge is required, the transfer should be made as soon as the need for correction is identified. For payroll correcting entries, every effort possible should be made to transfer the costs within the fiscal year in which the original transaction occurred.

Certain Allowable non-sponsored expenses may be Unallowable for purposes of the F&A Cost Proposal. Examples include fines/penalties, commencement expenses, and fund-raising activities.

Cost Share
For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be Allowable under Subpart E—Cost Principles of the OMB Uniform Guidance.

Definitions

Allocable - a cost incurred specifically for the program, or several activities but can be distributed between them in Reasonable proportion to benefits received, and is clearly necessary to the program.

Allowable - costs directly related to the performance of a sponsored award and permitted under its terms and OMB guidance that must be Reasonable, necessary, Allocable, and treated consistently with generally accepted accounting principles.

Computing Devices - means machines used 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 and acquisition cost of less than $5,000.

Direct Cost - cost where a specific grant or contract gains explicit benefit from that cost for a specific programmatic purpose. (e.g., salaries, wages, fringe benefits, consultants, materials and supplies, equipment, travel, participant costs, tuition, and subcontracts).

Indirect Costs/Facilities and Administrative (F&A) - costs incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored award (e.g., depreciation of buildings and equipment, computing infrastructure, administrative services, utilities, and custodial services). Generally, these kinds of costs are identified, pooled, and charged against individual programs or funding sources using a rate designed to recover the costs.

Principal Investigator (PI) - is the holder of an independent grant administered by the College and the primary individual responsible for the preparation, conduct, and administration of a grant, cooperative agreement, training or public service project, contract, or other sponsored project in compliance with applicable laws and regulations and institutional policy governing the conduct of a grant.

Reasonable Costs - a cost is reasonable if, in its nature and 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 cost.

Unallowable - those charges to an award that the sponsor determines to be Unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the grant or contract.

References

Legal References: *Enter legal references here*

Cross References: *Enter cross references here*

History

Leadership Council Review/Approval Dates: *10/13/2023*

Senior Staff Review/Approval Dates: *8/11/2023*

Board of Trustees Review/Approval Dates: *2/13/2024*

Implementation Dates: *Enter date(s) here*