

## Grant Cost Principles

Federal regulations establish four main guidelines, or cost principles, for determining costs applicable to Awards. All charges to Sponsored Projects must be:

**Reasonable:** A cost is considered reasonable if the nature of the goods or services, and the price paid for the goods or services, reflects the action that a prudent person would have taken given the prevailing circumstances at the time the decision to incur the cost was made.

To determine if a cost is reasonable, ask the following questions:

- Is the cost necessary for the performance of the Sponsored Project?
- Does incurring this cost violate the restraints or requirements imposed by federal and state laws and regulations, or Sponsored Project terms and conditions?
- Is the price of the goods or services comparable from multiple vendors/sources that have no vested interest or relationship to the Award or to the person involved in the purchase?
- Have the individuals incurring this cost acted with due prudence (discretion and good sense) in the circumstances? Have they considered their responsibilities to the institution, its employees and students, the federal government, and the public at large?
- Were the actions that were taken in respect to incurring the cost consistent with established institutional policies and practices applicable to Sponsored Projects?

If a non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, it may unjustifiably increase the Federal award's cost.

**Allocable:** A cost is allocable to a particular Award if the goods or services involved can be directly charged to the Award based on the benefit provided.

To determine if a cost is allocable, ask the following questions:

- Does it benefit the Award and/or other funding sources?
- Can it be distributed to all benefited funding sources using reasonable methods?
- Does the basis for allocating the cost represent a reasonable estimation of the benefit provided to the Award objectives?

**Consistently Treated:** All costs incurred for the same purpose and in like circumstances must be treated uniformly either as direct costs or as indirect (facilities and administrative or F&A) costs. Since certain costs, such as administrative salaries and office supplies, are normally treated as F&A costs, these costs cannot be charged directly to federal Awards unless the circumstances of an Award are clearly different from the normal operations of the unit.

**Allowable:** A cost is allowable if it is permitted as a cost within general federal regulations, the terms of a specific Award, and/or WOU's F&A rates.

Costs expressly unallowable or mutually agreed to be unallowable should be identified and excluded from any billing, claim, application, or proposal related to the Sponsored Project.

Inclusion of an unallowable cost in a proposal does not make the cost allowable. Adding a justification to an unallowable cost in a proposal also does not make the cost allowable.

**The Sponsored Projects Office will send a grant financial certification report to each Principal Investigator quarterly to attest that their grant award expenses meet the above cost principals guidelines.**