



Policy

Determining allowable, allocable and Reasonable Costs

<i>Topic</i> Sponsored Award Administration Management	<i>Category:</i> Expenditures	<i>Policy No:</i> 5.100.05	<i>Effective Date:</i> 12/26/2014	<i>Page No:</i> Page 1 of 3
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Purpose: In accordance with the requirements of the Federal OMB Circular A-122, Cost Principles for Non-Profit Organizations, (prior to 12/26/14), 2 C.F.R. 200 Uniform Administrative Requirements for Federal Awards (effective 12/26/14) which sets forth the cost principles non-profit organizations must use in incurring costs charged to federal contracts and grants, BTI has a policy for determining the allowability, allocability, and reasonableness of costs assigned to federal awards.

- Policy:**
1. It is the policy of the Boyce Thompson Institute for Plant Research (BTI) that when incurring costs against sponsored funds (i.e., making payments utilizing funds from outside federal agencies in support of BTI projects), the BTI department administering the project is responsible for determining that the costs are allowable, allocable and reasonable prior to authorizing the cost and processing the financial paperwork.
 2. Allowable Costs:
 - Cost allowability determines whether the cost being considered would be authorized for payment under the terms of the award made by the sponsor.
 - The tests of allowability of costs are:
 - They must be reasonable.
 - They must be allocable to sponsored projects under the principles and methods provided in this Policy.
 - They must be given consistent treatment appropriate to the circumstances.
 - They must conform to any limitations or exclusions set forth in OMB Circular A-122, the award document, (prior to 12/26/14), 2 C.F.R. 200 Uniform Administrative Requirements for Federal Awards (effective 12/26/14) or the federal agency's guidelines as to the types or amounts of cost items.
 - Allowability of certain costs may be addressed within the award document or the contract/agreement that was issued for the sponsored project.
 - Grant awards may identify certain costs that are specifically unallowed by the agency based upon recommendations from the peer review system.
 3. Allocable Costs:
 - A cost is allocable to a particular cost objective (i.e., a specific function, project, department or the like) if the goods or services involved are chargeable or assignable to the cost objective in accordance with the relative benefits received or other equitable relationship.

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- A cost is allocable to a sponsored project if:
 - It is incurred solely to advance the work under the sponsored project. It benefits both the sponsored project and other work of BTI, in proportions that can be approximated through using reasonable methods.
 - It is necessary to the overall operation of BTI and, in light of the principles provided in OMB Circular A-122, (prior to 12/26/14), 2 C.F.R. 200 Uniform Administrative Requirements for Federal Awards (effective 12/26/14) is deemed to be assignable in part to sponsored projects.
- Where the purchase of equipment or other capital items is specifically authorized under a sponsored project, the amounts authorized for such purchases are assignable to the sponsored project regardless of the use that may be subsequently be made of the equipment or other capital items involved.
- Any costs allocable to a particular sponsored project under the standards provided in this Policy may not be shifted to other sponsored projects in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored project, or for other reasons of convenience.
- Any costs allocable to activities sponsored by industry, foreign governments, or other sponsors may not be shifted to federally sponsored projects.

4. Reasonable Costs:

- A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount of funds involved reflects the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.
- Considerations involved in the determination of the reasonableness of a cost are:
 - Whether or not the cost is a type generally recognized as necessary for the operation of BTI or the performance of a federally sponsored project. The restraints or requirements imposed by such factors as federal and state laws and regulations, sponsored agreement terms and conditions, or federal agency guidelines.



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- Whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to BTI, its employees, the government, and the public at large.
- The extent to which the actions taken with respect to the incurrence of the cost are consistent with established BTI policies and practices applicable to the work of BTI generally, including federally sponsored awards.