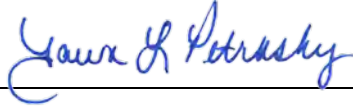
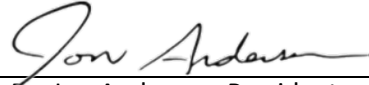




Policy FA001: Determining Allowability, Reasonableness, and Allocability of Costs for Sponsored Projects

Recommended for Approval by: 

Fawn L. Petrosky, Vice President Finance and Administration

Approved by: 

Dr. Jon Anderson, President

Effective Date: 01/15/2025

A. Intent

This policy ensure that Pennsylvania Western University manages grant and/or sponsored funds prudently, ensuring that all costs are allowable, reasonable, and allocable, in accordance with 2 CFR 200 Uniform Administrative Requirements and any additional guidance provided by the sponsor. This policy applies to all university employees who perform educational services, or other activities by a grant, contract, or other sponsored agreement.

B. Definition(s)

1. **Principle Investigator (PI)**- The individual with the authority and responsibility to oversee and direct a grant or sponsored project. This role may be referred to as 'project director,' with the same definition.
2. **Allowable Costs**- Costs that can be charged directly to a grant funded or sponsored project, or included as indirect costs in the calculation of the indirect rate, in compliance with federal statues, regulations, and the awards terms and conditions.
3. **Reasonableness**- A cost is reasonable if it reflects what a prudent person would incur under similar circumstances. It must be ordinary, necessary, and aligned with sound business practices, comply with applicable laws, and consistent with market prices. It should not deviate from the institution's established practices in a way that unjustifiably increases the cost to the sponsored project.
4. **Allocable Costs**- Expenses that can be charged or assigned to a grant funded or sponsored project in reasonable proportion to the benefit provided or another equitable relationship.

C. Policy

It is the policy of Pennsylvania Western University to monitor all expenses charged to sponsored agreements executed by Pennsylvania Western University. Expenses incurred by a subcontracting agency are subject to audit at the request of Pennsylvania Western University. A request for reimbursement or payment of invoices will be denied if expenses are considered unallowable by the OMB Uniform Guidance.

To be **allowable** under an award, costs must be allowable, reasonable, and meet the following criteria:

- Be reasonable for the performance of the award and be allocable thereto under the principles outlined in the OMB Uniform Guidance
- Conform to any limitations or exclusions set forth in the principles of the OMB Uniform Guidance or in the award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the recipient or subrecipient
- Be accorded consistent treatment
- Be determined in accordance with Generally Accepted Accounting Principles (GAAP)
- Not be included as a cost or used to meet cost sharing or matching requirements or any other federally-finances program in either the current or a prior period
- Be adequately documented
- Administrative closeout costs may be incurred until the due date of the final report. All other costs must be incurred during the approved budget period.

A cost is reasonable if, in its nature or 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 costs. In determining reasonableness of a given costs, consideration shall be given to:

- Whether the cost is generally recognized as ordinary and necessary for the operation of the organization or the performance of the award
- The restraints or requirements imposed by such factors as sound business practices, arm's length bargaining, federal, state, local, tribal, and other laws and regulations, and terms and conditions of the award.
- Market prices for comparable costs for the geographic area
- Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization
- Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

A cost is allocable to a cost objective, such as a grant, contract, project, services, or other activity in accordance with the relative benefits received. A cost is allocable to an award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- Is incurred specifically for the award
- Benefits both the award and other work of the recipient or subrecipient and can be distributed in proportion that may be approximated using reasonable methods, or
- Is necessary to the overall operation of the organization

The following expenses are generally considered unallowable. This list is NOT all-inclusive. The award document supersedes if there are any questions regarding an expense. The PennWest Office of Grants and Special Projects should be contacted for clarification.

- Advertising
- Alcohol
- Alumni activities
- Audit services
- Cost Associated with fund-raising events
- Event tickets
- Faculty/Staff recognition or gifts
- Fines, penalties, damages, or other settlements
- First Class Travel
- Flowers
- Gifts for visiting officials
- Goods or services for personal use (rent, mortgage, utilities, etc.)
- Holiday decorations/events
- Interest
- Lobbying
- Losses on other sponsored projects
- Parking and parking fines
- Pre-agreement costs
- Public relations, selling, marketing
- Social or recreational memberships (country club, etc.)

- Tuxedo/gown rental

Unallowable costs mistakenly charged to an award must be promptly transferred to an allowable cost center. The PI will work with their approval structure to identify an allowable cost center and alert grant accounting of the new cost center within 5 business days.

It is the purchaser's responsibility to understand and adhere to Pennsylvania Western University Policies and procedures and the funding agency requirements related to purchasing when making purchases on behalf of Pennsylvania Western University or for a sponsored award that is managed by Pennsylvania Western University. The purchaser may be held responsible for the purchase if it is not allowed for the sponsored award or if the cost of the purchase is not covered by the approved budget for the award.

D. Contact Information

Amanda Brown Sisseem
AVP Alumni Engagement & Grants/Special Projects
Authorizing Official

E. Policy Review Schedule

All policies will be reviewed every two years or on an as needed basis if a change in BOG, PASSHE, Pennsylvania, or Federal law create the need for immediate change.

F. Applicable Documents: [Code of Federal Regulations](#)