

University of Hawaii Hilo - Extramural Award Cost Policies and Procedures

I. Purpose

To define allowable, reasonable and allocable costs, and to provide guidance for implementation of sound cost principles to ensure that only allowable, reasonable and allocable costs are charged to extramural awards.

II. Definitions

Allocable Costs – Costs that are chargeable or assignable to a particular objective in accordance with relative benefits received or other equitable relationship.

Allowable Costs – Direct Costs which can be charged directly to an award in accordance with the approved budget and award terms and conditions, and Indirect Costs which are assessed based on the approved indirect cost rate (IDC rate).

Direct Costs – Costs that can be identified specifically with a particular final cost objective or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Indirect Costs – Costs that are incurred for multiple or shared projects, functions or activities and thus cannot be readily and accurately identified with a specific project. Indirect Costs are classified within two broad categories: “Facilities” and “Administrative”. In this context, “Facilities” is defined as depreciation and interest on debt associated with certain buildings, equipment and capital improvements and operations and maintenance expenses, and “Administrative” is defined as general administration and general expenses such as director’s office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of “Facilities”. Refer to Attachment 1 for examples of Facilities and Administrative Costs.

Reasonable Costs – Costs for which both the nature and amount of the goods or services acquired or applied are consistent with what a reasonable person would incur in the conduct of such activity or objective under the same or similar circumstances.

Unallowable Costs – Costs that should not be charged to a sponsored project as either a Direct Cost or Indirect Cost because they are not allowed under federal cost principles, University of Hawai’i Hilo (UHH) policies and procedures, the approved budget or award terms and conditions.

III. Administrative Procedure

A. Objective

To implement Uniform Guidance Subpart E – Cost Principles (2 CFR §200.400 – 200.475) which governs the application of costs charged to federal awards. UHH applies these

cost principles to all extramural awards regardless of the source of funding, unless applicable laws, rules, regulation or award terms and conditions require otherwise

B. Applicability

1. Basic cost principles
 - a. An actual cost was incurred for the goods or services received.
 - b. Costs incurred are allowable based on applicable laws, regulations, UHH policy and procedures and award terms and conditions.
 - c. The goods or services are reasonable with regards to both its nature (necessary for the award) and price (the amount that a reasonable person would pay in like circumstances).
 - d. The goods or services are either directly or indirectly allocable (assignable) to the award based on an equitable method that reflects the benefits received.
 - e. Costs should be treated consistently as either a Direct Cost or Indirect Cost under like circumstances.
2. Costs that benefit multiple projects
 - a. If a Direct Cost benefits more than one project, the cost should be allocated to each of the projects based on the benefit received or some other reasonable means.
 - b. If the goods or services benefit multiple projects and there is no reasonable means to identify its direct benefit, the cost must be treated as an Indirect Cost and captured in UH's IDC rate.
3. Unacceptable Direct Cost charging practices
 - a. Direct charging of indirect type costs.
 - b. Transferring expenses from one project to another for the purpose of expending residual balances.
 - c. Charging costs to a cost reimbursable award in order to maintain residual balances on fixed price awards.
4. Special circumstances

While similar costs incurred in like circumstances should be consistently treated, costs that are normally classified as an Indirect Cost may be charged as a Direct Cost if **all** the following are met:

 - a. Resources required for a project are beyond those normally expected for an extramural project;
 - b. Costs can be clearly assigned to the extramural project with a high degree of accuracy; and
 - c. For significant items, prior sponsor approval has been obtained.
5. A table of common types of costs incurred on extramural awards and the typical treatment as Direct Costs or Indirect Costs are included in Attachment 2

(Common Costs Incurred on Extramural Awards) and Attachment 3 (Selected Items of Cost: Direct v. Indirect).