Policy *804* Version 1 *08/22/14*

**Policy Change Cover Sheet**

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| **This form must be attached to each policy presented. All areas in red, including the header, must be completed; if not, it will be sent back to you for completion.** |
|  | *I****f the changes you are requesting include housekeeping, please submit those changes to*** ***ndsu.policy.manual@ndsu.edu*** ***first so that a clean policy can be presented to the committees.*** |
| **SECTION**:  | Policy Number and Name 804 Allowability of Costs |
| 1. **Effect of policy addition or change (explain the important changes in the policy or effect of this policy). Briefly describe the changes that are being made to the policy and the reasoning behind the requested change(s).**
 |
| * Is this a federal or state mandate? [ ]  Yes [x]  No

Describe change: The word "all" needs to be removed as it's not an accurate representation of our procedures. The expenditures that come through on paper are reviewed. The expenditures paid online, via PCard or SSI are audited by a sampling. |
| 1. **This policy change was originated by (individual, office or committee/organization):**
 |
| * Office/Department/Name and the date submitted: Grant & Contract Accounting/Ann Young and Gary Wawers 08/22/2014
* Email address of the person who should be contacted with revisions: gary.wawers@ndsu.edu and ann.young@ndsu.edu
 |
| ***This portion will be completed by Kelly Hoyt.***Note: Items routed as information by SCC will have date that policy was routed listed below. |
| 1. **This policy has been reviewed/passed by the following (include dates of official action):**
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| **Senate Coordinating Committee:** |  |
| **Faculty Senate:** |  |
| **Staff Senate:** |  |
| **Student Government:** |  |
| **President’s Council:** |  |

The formatting of this policy will be updated on the website once the **content** has final approval. Please do not make formatting changes on this copy. If you have suggestions on formatting, please route them to ndsu.policy.manual@ndsu.edu. All suggestions will be considered, however due to policy format guidelines, they may not be possible. Thank you for your understanding!

**North Dakota State University
Policy Manual
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**SECTION 804
allowability of costs**

SOURCE: NDSU President

1. Before a cost may be charged directly to a sponsored agreement, the cost must meet all of the allowability criteria stated below. The factors affecting allowability of costs are:
2. they must be reasonable;
3. they must be allocable to sponsored agreements under the principles and method provided below;
4. they must be given consistent treatment through application of those generally accepted accounting principles appropriate under the circumstances;
5. they must conform to any special limitations or exclusions as set forth in the sponsored agreement.
6. REASONABLE COSTS. A cost is considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are:
7. whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement;
8. the restraint or requirements imposed by such factors as arm's-length bargaining, Federal and State laws and regulations, and sponsored agreement terms and conditions;
9. whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Government, and the public at large; and
10. the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.
11. ALLOCABLE COSTS. A cost is allocable to a particular sponsored agreement if the goods or services involved are chargeable or assignable to such sponsored agreement in accordance with relative benefits received or other equitable relationship. A cost is allocable to a sponsored agreement if:
12. it is incurred solely to advance the work under the sponsored agreement;
13. it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; or
14. it is necessary to the overall operation of the institution and, in light of the principles above, is deemed assignable in part to sponsored projects.

Any costs allocable to a particular sponsored agreement under the standards provided above may not be shifted to other sponsored agreements in order to meet deficiencies caused by overdrafts or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.

1. The Office of Grant and Contract Accounting reviews expenses charged to sponsored agreements for allowability under the guidelines stated above or for need of further documentation to justify the charge against a specific sponsored agreement.

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HISTORY:

New July 1990
Amended April 1992
Amended August 2007