
Procedure

Procedure on ALLOWABLE COSTS for Sponsored Projects

Purpose: The purpose of this procedure is to provide guidelines and assign certain prerequisites and responsibilities for defining and managing costs associated with externally sponsored activities. This procedure describes the regulatory framework used to determine whether or not a cost item may be directly charged to a sponsored project. It refers to the guidance provided in 2 CFR 200: *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance, or UG). Specifically, Subpart E – Cost Principles – of the UG sets forth general criteria for determining allowable direct costs on Federal awards. Additional costing guidance is derived from sponsor-specific terms and conditions, as well as institutional guidance.

This procedure applies to all awards for sponsored programs, regardless of funding source/sponsor.

Definitions:

Direct Costs: Direct costs are those costs that can be identified specifically with a particular sponsored project, or that can be directly assigned to such activity relatively easily with a high degree of accuracy. Typical direct costs include personnel compensation, materials, travel, subaward payments, and equipment.

Allowability: Direct costs must meet the following criteria to be considered allowable: are necessary and reasonable for the project; conform to limitations/exclusions listed in the UG; are consistent with related policies and procedures, and are consistently treated across projects; are in accordance with generally accepted accounting principles (GAAP); are not used to meet a cost sharing requirement on another project; and are adequately documented.

Allocability: A direct cost is allocable to a sponsored project if it is incurred specifically for the sponsored project; or it benefits both the sponsored project and other work of the institution and can be distributed in proportions that can be approximated using reasonable methods.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or

activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated to benefited projects on any reasonable documented basis. However, this allocation cannot be used to eliminate cost overruns.

Reasonableness: A direct cost is reasonable if it passes the prudent person test: the nature and amount of the costs do not exceed what a prudent person would have determined when incurring the costs in the same circumstances.

Consistency: Direct costs must be treated consistently with respect to institutional policies and procedures that apply to sponsored and non-sponsored activity, and to treatment as a direct or an indirect cost when incurred for the same purpose in like circumstances across sponsored and non-sponsored activity.

Unallowable Costs:

The Uniform Guidance addresses selected costs in Part 200 Subpart E Cost Principles, providing guidance to determine allowability. Several specific cost items are identified as unequivocally unallowable on a sponsored project, either as a direct or an indirect cost, including alcohol as entertainment, bad debt, personal use of automobiles, and losses that could have been covered by insurance. Other cost items can only be charged with the prior written approval from the sponsor, including for example entertainment, buildings and land, and student activities. Individual sponsor and project requirements may identify additional unallowable costs; RAs and PIs must review sponsor policies and award documents for specific guidance.

Responsibilities:

Division of Research [5.0.6 Policy on Sponsored Program Expenditures](#)

[Authorization/Approval](#) assigns responsibility for all expenditure and programmatic activities related to the Principal Investigator of the awarded project. The PI is expected to approve or authorize all expenditures for sponsored program project activities and responsible for ensuring that all costs charged to a sponsored project meet the above stated definitions and standards. This includes ensuring that all costs are allowable under the terms and conditions of the award. The Principal Investigator (PI) is also responsible for determining how specific costs should be allocated to a sponsored project and should maintain adequate documentation of the allocation methodology used to ensure compliance.

The college post award grant administrator is responsible for assisting the Principal Investigator in determining the allowability, allocability and reasonableness of all charges

to sponsored projects and reviews for allowability of certain cost types and requires corrective action, when appropriate.

Grants and Contracts Administration (GCA) serves as Clemson University's internal control by providing oversight for the allowability of costs and is the final authority when costs are determined not allowable on a sponsored award. GCA reviews charges on a project before closing the project and issuing a final billing action. Charges deemed to be unallowable are removed from the project and charged to non-sponsored sources.

The Principal Investigator and the college post award grant administrator are responsible for maintaining appropriate documentation supporting all charges applied to a sponsored project. Grants and Contracts Administration is responsible for maintaining all documentation appropriate to their duties and responsibilities.

Process:

The Principal Investigator develops a project budget appropriate to the needs of the project and submits the proposal to the Office of Sponsored Programs (OSP), or the appropriate Office of Sponsored Programs Support Center for review. OSP determines that allowability of costs proposed in the project budget and coordinates with the Principal Investigator to ensure all requested costs are sufficiently documented and are allowable under sponsor guidelines. OSP submits the proposal, inclusive of the approved budget, as the Authorizing Official. OSP reviews award documentation to determine that costs contained in the award budget reflect the original submission and are allowable. Grants and Contracts Administration also reviews the awarded budget for compliance. The Principal Investigator is provided the award documentation and advised of responsibilities in the fiscal management of the project. A dedicated fund is established in the university financial system to support charges to the project.

It is critical for Clemson University Research Administrators (RA) and Principal Investigators (PIs) to review the terms and conditions of individual programs as they may differ based on sponsor or funding type. Based on this review, PIs and RAs should prepare detailed budgets identifying, to the best of their knowledge, the direct costs that will be associated with a sponsored research project. During the life of the project, adequate documentation is required to support all direct costs charged to sponsored funds. (See also: <https://www.clemson.edu/research/grants-contracts/grants-management-guidance/projectcosts.html>)

Charges to a sponsored project are initiated by the Principal Investigator (PI) who determines initial allowability and allocation to the project.

The college post award administrator reviews certain categories of charges considered high risk (See [Guidance for Reviewable Costs](#)) for allowability, allocation and documentation. GCA reviews charges to a sponsored project for allowability throughout a grant's life cycle and prior to final billing.

All costs determined to be allowable are then supported via proper allocation and documentation. This is required for the most routine costs, from salaries and wages to the cost types which may not be frequently used for all awards, such as service agreements, purchased/consulting services and expenses related to use of Clemson or external recharge services and service centers. The Office of Procurement and Business Services and the Accounting Services Department within the Controller's Office reviews and approves rates that support the internal charging of the cost types mentioned above. Use of external recharge and service center services from other institutions requires a Clemson purchase order and approved quote or services agreement. Any changes in pricing, or services requires an amendment to support those changes to meet Federal requirements of allowability in documentation.

While not all cost types are specifically included, proper allocation and documentation are addressed in the "[Guidance Document – Working with Direct Cost Allocations on Sponsored Projects.](#)"

Monitoring and Reporting:

Grants and Contracts Administration conducts reviews of specific categories of charges and provides the college post award administrator in the respective colleges with a monthly with report of potentially problematic charges with the expectation that these will be further reviewed for allowability and when appropriate, to determine the allocability of certain charges.

REVISION HISTORY		
EFFECTIVE DATE	VERSION NUMBER	MODIFICATION
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