
Guidance

Direct Cost Allocations to Sponsored Awards

Expenses charged to sponsored awards must be ***allowable, allocable, reasonable and consistently treated*** per the Uniform Guidance, 2 CFR 200, Part E, Section 200.403 – 200.405 (criteria above are referred to as ‘factors in costing’). Expenses must also be in alignment with university procedure (5.0.5) and sponsor terms and conditions.

General Guidance in Allocating Costs and Proper Documentation:

The chosen methods of cost allocation can fluctuate based upon the most reasonable and most accurate at the time of expense. Documentation will be key to support these decisions. Often decisions on allocation of costs occur as the source document is entered into procurement/travel systems and/or the financial system for payment. The financial system, based on these decisions, will reflect and distribute the allocation of a cost to one (1) or many sources of funding.

*When allocating costs, consider any non-sponsored, departmental, student-based activities which utilize the goods/services purchased. 100% of a charge is **not always allocable to only sponsored awards.***

- **Cost Benefit to Only One (1) Award:**

When the cost is incurred to **solely advance the aims/outcomes of one (1) award**, the entire cost should be charged to the benefiting award (when all other factors of costing above can be met).

Proper Documentation: All costs incurred must be supported by a ‘source document’ from the supplier of the goods/services and/or internal financial system documentation. ‘Source documents’ can include, but are not limited to invoices from suppliers, receipts, interdepartmental services/orders, subrecipient or vendor invoices, financial system payroll distribution details, sponsored compensation reports, time sheets, etc. In this circumstance, there is **no** further documentation necessary to apply the cost to the one (1) award.

- **Cost Benefit to More Than (1) Award:**

When the cost allocation CAN be determined *easily and with a high degree of accuracy without undue effort or burden*, the cost must be allocated to each award based on the **proportional benefit received by each award or project**. **Proportional benefit** can be documented in dollars, 2) or % of total cost.

Example: Proportional Allocation for a \$9,999 material/supply purchase:

- a. **Dollar Allocation:** \$4,999 to Award 1 - \$2,997.50 to Award 2 and \$2,002.50 to department account (handwritten or typed on the receipt, invoice or source document)
- b. **Percentage Allocation of Total Amount:** 50% to Award 1 – 30% to Award 2 and 20% to departmental account (handwritten or typed on the receipt, invoice or source document).

Proper Documentation by Cost Category to Reflect Cost Allocations:

- **Salaries/Wages/Fringes** – these costs are supported by internal financial system functionality and controls based upon the entry of a salary/labor schedule and subsequent approval of time worked. The amount of salary charged is based upon the employee's Institutional Base Salary (IBS) allocated on time/effort devoted to different activities. **The amount of wage cost charged to a sponsored project is based upon time worked at an hourly rate** between or among different accounts based on where the individual's time was spent performing work activities, then reviewed and approved by the Principal Investigator or supervisor after-the-fact. Fringe costs will follow the distribution of salary/wage costs.
- **Travel** – is managed in the Concur system, these costs are supported by pre-travel requests and subsequent reimbursement based upon receipts for various travel costs, *or per diem amounts* determined by location. It is a recommended practice to indicate on the receipts/invoices the dollar amount or % of allocation to specific fund sources, but this is not required. Concur allows for the application to multiple projects for the purpose of allocations and must be allocated appropriately at the time the expense reimbursement is submitted for payment.
- **Other/Materials and Supplies/Consulting Services/Purchased Services** – these costs are supported by a Purchase Order, Consultant agreement, and supplier invoices. Submission of the invoices into the financial system and selection of accounts to allocate costs will direct the posting of the costs accordingly. It is a

recommended practice to indicate on the invoice the dollar amount or % of allocation to specific funding sources, but this is not required.

- **Subawards** – these costs are supported by a fully executed sub agreement, approved budget and approved invoices. Most often are allocable to (1) award.
- **Participant Support Costs** – stipends are typically pre-determined spelled out in the awarded proposal and must follow the prescribed amounts awarded. Other participant support costs are supported by invoices for good/services received by the participant(s) in their roles on the sponsored award. Employees of the university are not eligible, in accordance with 2CFR200, to be paid or participate as a participant.
- **Graduate Student Tuition Costs** – these costs are supported by the same/similar allocation of salary/wages. Costs are supported by the institutional tuition rate and allocated in the same proportion as the individuals associated salary/wage costs.
- **Equipment** – these costs are supported by purchase orders/invoices. Upon entry of a payment request in the financial system, different funds can be selected for allocation of the cost. It is a recommended practice to indicate on the invoice the dollar amount or % of allocation to specific fund sources, but this is not required.
- **Publications Costs** - Publication costs, including page charges, article processing charges (APCs), and costs for disseminating research findings (e.g., journal fees, open-access fees), are allocable to sponsored awards if they are necessary to meet the award's objectives (§ 200.461). These costs must be incurred during the project period or prior to the project closeout process as outlined in Clemson's [Procedure for Publication Cost charged to a Sponsored Program](#). Documentation includes retaining invoices, receipts, and a copy of the publication (or its DOI) to demonstrate its connection to the project. If a publication benefits multiple projects, allocate costs proportionally by documenting the percentage or dollar amount of the allocation. NOTE: When citing multiple awards as support, even from the same sponsor, the cost requires an allocation. Supporting awards no longer active or available must be allocated to non-sponsored funding sources.

- **Costs That Benefit Multiple Sponsored Awards/Activities:** When the cost allocation CANNOT *be determined with relative ease and high degree of accuracy due to the **interrelatedness of several awards/other activities***, such as multiple sponsored and/or non-sponsored activities inexplicably intermingled and utilizing the same goods/services to a complex degree, this calls for an allocation basis or methodology that reasonably allocates costs equitably among all activities and projects. When faced with this situation, **the best advice is to contact a GCA representative to assist with determining an appropriate allocation methodology that can be more easily and readily applied for your situation.**

Some examples of allocation methodologies which may be considered are:

- Usage – based upon estimated need by award (Good for pipettes, slides, microscopes)
- Number of Experiments – estimated for each award.
- Number of Hours – cost item is estimated from a log of activity (computers, equipment)
- Number of Participants – on each award

Prohibited Methods of Cost Allocation:

- Charging the cost to one award when the cost benefits multiple awards/activities,
- Placing the cost to an award with the largest available balance,
- Placing the cost to an award ending sooner than others,
- Placing the cost to one award with the intent of allocating the cost later (using the sponsored award as a ‘clearing account’,
- Basing allocation decisions without consideration of benefit to the award(s),
- Rotating expenses between/among sponsored awards on an arbitrary basis (without regard to benefiting the awards).

Summary of Good Practices:

- Do – review allocation methodologies periodically to ensure they are reasonable.
- Do – **document the allocation methodologies** used and retain for use in any internal or external reviews.
- Do – maintain activity logs and retain for use in any internal or external reviews.
- Do – contact the named College Post Award Contact (CPAC) and/or the Office of Grants and Contract Administration (GCA) when assistance is needed in allocation processes.

REVISION HISTORY		
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