



<b>Policy #:</b>	39.04.007
<b>Issued:</b>	March 2014
<b>Reviewed:</b>	
<b>Revised:</b>	October 2014
<b>Section:</b>	39 Research

## Allowable Costs for Research

**Purpose:**

The purpose of this policy is to establish guidelines for defining costs that are allowable for reimbursement from the Federal government and/or to be expensed on projects funded by other external sponsors.

**Policy Statement:**

It is the policy of Boston Medical Center (BMC) that costs must meet the following general criteria to be considered allowable on all sponsored awards or industry sponsored clinical trials:

- Be reasonable for the performance of the award and be allocable thereto under these principles;
- Be allocable in accordance to the relative benefit to the project or other equitable relationship;
- Conform to any limitations or exclusions set forth in these principles 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 organization;
- Be accorded consistent treatment;
- Be determined in accordance with generally accepted accounting principles (GAAP), including expensing the item in the period it was incurred;
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period; and
- Be adequately documented.

The Federal cost principles address four tests -- reasonableness (including necessity), allocability, consistency, and conformance with limitations or exclusions as specified in the terms and conditions of the award, including those in the cost principles themselves – that NIH follows in determining the allowability of costs. These tests apply regardless of whether the particular category of costs is one specified in the cost principles or one governed by other terms and conditions of an award. These tests also apply regardless of treatment as a direct cost or an indirect cost. The fact that a cost requested in a budget is awarded, as requested, does not ensure a determination of allowability. The organization is responsible for presenting costs consistently and must not include costs associated with its F&A rate as direct costs.

The cost principle tests are important to the judgments NIH and other federal staff will make before, during, and after performance concerning the costs that federal sponsors will fund. These tests also indicate the variety of factors that will be taken into account in determining the allowability of costs by our sponsors and auditors.

**Application:**

All sponsored funding.

**Exceptions:** Discretionary, Departmental, or Donor Restricted accounts, or when accompanied by Sponsor Approval

**Procedure:**

Department Administrators should review all costs to insure that they meet the criteria prior to submitting the expense to Research Finance for processing on a sponsored project.

Research Finance Staff review every A/P check/e-request and purchase order request greater than \$2,500 to identify charges. Research Finance Staff consult the HHS-wide cost principles [reasonableness, allocability, consistency, and conformance] and the terms and conditions of the particular award to determine allowability of various items or types of cost. The cost principles establish the standards for the allowability of costs, provide detailed guidance on the cost accounting treatment of cost as direct or F&A costs, and set forth allowability principles for selected items of cost.

Research Finance Staff forward any disputed charges or questionable costs to the appropriate Research Finance Supervisor, who contacts the Administrator of the grant to obtain additional justification for the charges in question. If the charges are deemed unallowable, the Research Finance Staff works with the Administrator to find alternative sources of funding.

Common Unallowable Expenses:

- Alcohol
- Bad Debts
- Business Meals (outside of travel expenses)
- Dues & Memberships
- Entertainment and Limousines (unless the most economical mode of transport)
- Flowers, Gifts to Employees, Coffee, and Water Service
- Fund-raising, Donations and Contributions
- Lobbying
- Parking Tickets, Fines & Penalties
- First class airfare

This list represents some of the most common unallowable expenses but is in no way meant to be a complete listing of unallowable expenses.

**Definitions:**

**Reasonableness**

A cost may be considered reasonable if the nature of the goods or services acquired or applied and the associated dollar amounts 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. The cost principles elaborate on this concept and address considerations such as whether the cost is of a type generally necessary for the organization's operations or grant's performance; whether the recipient complied with its established organizational policies in incurring the cost; and whether the individuals

responsible for the expenditure acted with due prudence in carrying out their responsibilities to the Federal Government and the public at large as well as to the organization.

**Allocability**

A cost is allocable to a specific grant, function, department, etc., known as a cost objective, if the goods or services involved are chargeable or assignable to that cost objective in accordance with the relative benefits received or other equitable relationship. A cost is allocable to a grant if it is incurred solely in order to advance work under the grant; it benefits both the grant and other work of the institution, including other grant-supported projects; or it is necessary to the overall operation of the organization and is deemed to be assignable, at least in part, to the grant.

**Consistency**

Grantees must be consistent in assigning costs to cost objectives. Therefore, under NIH grants, although costs may be charged as either direct costs or F&A costs, depending on their identifiable benefit to a particular project or program, they must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding, so as to avoid duplicate charges.

**Conformance**

The fourth aspect of allowability – conformance with the limitations and exclusions as contained in the terms and conditions of award – varies by the type of activity, the type of recipient, and other variables of individual awards.

**Responsibility:**

Principal Investigator  
Department Administrator  
Study Team  
Research Finance  
Clinical Trial Office

**Forms:**

N/A

**Other Related Policies:**

Research Finance, Personnel Requisition/Hiring  
39.04.519 Travel Policy for Research  
39.04.462 Research Participant Compensation Policy  
Research Finance, Time and Effort  
Research Finance, Sub-recipient Monitoring  
39.04.060 Grant Closeout Policy  
39.04.129 Federal Financial Report

**References:**

Guiding Regulations:

45 CFR Part 74 Appendix E, entitled “Principles for Determining Cost Applicable to Research and Development Under Grants and Contracts with Hospitals

<http://www.hhs.gov/opa/grants-and-funding/grant-forms-and-references/45-cfr-74.html#app-e>

NIH Grants Policy Statement (10/1/2013), 7.9.1 Selected Items of Cost  
[http://grants.nih.gov/grants/policy/nihgps\\_2013/nihgps\\_ch7.htm#selected\\_cost\\_items](http://grants.nih.gov/grants/policy/nihgps_2013/nihgps_ch7.htm#selected_cost_items)

**Section: 39 Research**

**Policy No.: 39.04.007**

**Title:** Allowable Costs for Research

**Initiated by:** Research Finance