Allowable, Allocable, and Reasonable Costs

A Decision Guide for Charging Costs to Federal & Federal Flow-thru Projects

Is the charge allowable? The cost must conform to:

- The award’s Terms and Conditions
- OMB Circular A-21 or Uniform Guidance
- ISU Policy

Is the charge allocable to the project?

- Allocation should occur on a consistent basis with a sound methodology
- Expense allocation should be clearly documented
- 100% allocation to an award indicates the charge benefitted only that award

Is the charge reasonable? A cost is reasonable if it:

- Is necessary for performance of the award
- Advances the scope of work
- Would withstand external review by a prudent person

Examples of expenditures that are not acceptable to federal agencies:

- Rotating charges among sponsored projects rather than allocating charges based on benefit to the grant.
- Assigning charges to the grant with the largest remaining balance.
- Assigning charges for work or activity that occurred prior to the award’s start date or after the award’s end date.
- Charging expenses that are not allocable to an award.
- Charging expenses considered part of normal administrative support and included in indirect costs (proposal preparation, administrative staff, office supplies, telephone line charges).
- Assigning charges to sponsored projects which are about to end regardless of the appropriateness of the costs.

Examples of expenditures which fall under high scrutiny during an audit:

- Computer/laptop purchases
- Expenditures posted 90 days prior to an award’s end date and after the end date (closeout period, often 90 days)
- Equipment/supplies purchased near the end date of an award
- EASE forms/payroll actions
- Expense corrections during the life of the award (appropriateness & documentation)
- Direct charges which would normally be considered part of indirect costs
- Cost share documentation
- Business purpose documentation for expenses
Cost transfer rules for federal and federal flow-thru awards:

- Costs CAN NOT be transferred from overspent accounts to federal or federal flow-thru accounts. Costs from overspent accounts CAN be transferred to non-federal accounts.
- Costs transferred on to federal accounts must be made within 90 days of the transaction OR within 90 days of the federal account being established (so long as the from account is not overspent).

Resources:

Cost Transfer Rules - [http://www.controller.iastate.edu/spa/costtransfers.html](http://www.controller.iastate.edu/spa/costtransfers.html)

ISU Costing Policy - [http://www.controller.iastate.edu/spa/isucostingpolicy.html](http://www.controller.iastate.edu/spa/isucostingpolicy.html)