I. GENERAL STATEMENT

All charges to sponsored projects must be reasonable, allowable, allocable, and accounted for consistently. The purpose of this Policy is to establish general guidelines on allocating allowable direct costs across multiple benefitting cost objectives (i.e., sponsored projects). The Policy applies to all Principal Investigators (PIs), co-PIs, and any other person with a role or responsibility in the application for, receipt of, or administration of sponsored projects. Please refer to the University’s Allowable Cost Policy for a further discussion of what constitutes a reasonable, allowable, allocable, and consistently accounted for cost.

II. DEFINITIONS

A. OMB Circular A-21: The document published by the federal government’s Office of Management and Budget that sets forth the governing cost principles for educational institutions.

B. Principal Investigator: The individual designated by the University as responsible for the scientific or technical direction of the sponsored project. The Principal Investigator is also part of the University team responsible for a sponsored project’s financial and administrative compliance.

III. PROCEDURE

A. Allocating Costs

Goods and services purchased by the University may benefit one or more sponsored projects. There are three circumstances under which a cost may be allocated to a sponsored project:

1. The cost is incurred solely to advance the work under the sponsored project being charged;
2. The cost benefits both the sponsored project and other work of the institution (including other sponsored projects), in proportions that can be approximated through proportional benefit or, in certain cases, another reasonable method; or
3. The cost is necessary to the overall operation of the institution and, in light of the principles provided in OMB Circular A-21, is deemed to be assignable in part to one or more sponsored projects.

If it is not possible to allocate a cost to the benefitting sponsored project at the time of purchase, the cost must initially be charged to a non-sponsored account and then transferred to the appropriate sponsored project in accordance with the University’s Cost Transfer Policy once the University has determined the proper allocation.

B. Methods of Allocating Costs

If a cost solely benefits a single sponsored project, it should be charged entirely to that benefitting project. Sometimes, however, a cost benefits two or more projects or activities. If a cost benefits more than one sponsored project or activity, the charge must be allocated using one of the following methods.

1. Proportional benefit. 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 sponsored projects based on the proportional benefit.

2. Other equitable relationship. If a cost benefits two or more sponsored projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then costs may be allocated to benefitting projects on any reasonable basis. This method of allocation should only be employed if proportional benefit cannot be determined without undue effort or cost.

When a cost is allocated to multiple sponsored projects, the PI or other authorized University official must document the basis for employing the selected cost allocation methodology. This documentation should be maintained by the PI or other authorized University official in accordance with applicable record retention requirements.

Below is a non-exhaustive list of methodologies that could be used as a basis for reasonably allocating costs under this methodology. This list is not intended to represent all possible reasonable methods of allocation:

- Quantity of items used on each project
- Effort of research personnel
- Number of clients served
- Square footage of laboratory space
- Number of experiments or procedures performed
- Number of FTEs working on each sponsored project
• PI Effort on each sponsored project

3. Allocating costs based on availability of funding, the need to clear a deficit, rotation of budgets, or any other reason of convenience is prohibited and will be considered a violation of this Policy.

C. Allocation of Charges for Equipment or Other Capital Items

Where the purchase of equipment or other capital items is specifically authorized under a sponsored project, the charges for such purchases are assignable to the sponsored project regardless of the use that may subsequently be made of the equipment or other capital items involved.

D. Failure to Comply with Cost Allocation Policy

Failure to comply with the Policy set forth above may result in disciplinary action up to and including termination of employment.

IV. EMPLOYEES OF OTHER DISTRICT OF COLUMBIA AGENCIES

To the extent the foregoing Policy is relevant to employees of District of Columbia agencies over whom the University lacks personnel authority, the University will work in good faith with those employees to effectuate adherence to the Policy.

V. CONTACTS

Office of Sponsored Programs

VI. COMMITTEES REVIEWING/APPROVING PROCEDURE:

Sponsored Programs Policy Committee
Audit, Administration and Governance Committee of the Board of Trustees
Board of Trustees of the University of the District of Columbia

HISTORY/REVISION DATES

Last Amended Date: July 10, 2014

Next Review Date: