1. What are the criteria for charging expenses to federal contracts and grants?

**Answer:** The tests of allowability of costs under these principles Cost Principles outlined in Electronic Code of Federal Regulations (2 CFR 200) are:

A. Costs must be reasonable based on what prudent person would have purchased the item and paid the price at the time of purchase.

B. Costs must be allowable to sponsored agreements under the principles and methods provided therein.

C. Costs must be consistently treated. Costs for a similar purposes must be treated the same way under like circumstances.

D. Costs must be allowable. The expense must be allowable or not specifically excluded as specified by government regulations. Expenses grouped in the unallowable cost category may not be charged to contracts and grants unless the awarding agency provides specific approval. The aforementioned guidelines are not all inclusive. In each case, the budget as approved by the sponsor in making an award and policy restrictions of the sponsor must be consulted.

2. What costs and transactions are unallowable?

**Answer:** Unallowable activities include:

- Alumni activities
- Organized fundraising
- Lobbying
- Commencement and Convocation
- General public relations and alumni activities
- Student activities such as intramural activities and student clubs
- Managing investments solely to enhance income
- Prosecuting claims against the federal government
- Defending or prosecuting certain criminal, civil, or administrative proceedings
- Housing and personal living expenses of Institute officers
- Selling or marketing of goods and services (does not include selling goods or services internal to the Institute by its service centers)

Unallowable transactions include:

- Advertising (only certain types are allowable)
- Alcoholic beverages
- Entertainment
- Fundraising or lobbying costs
- Fines and penalties
- Memorabilia or promotional materials
- Relocation costs if employee resigns within 12 months
- Certain recruitment costs, such as color advertising
Certain travel costs, such as first-class travel
Cash donations to other parties, such as donations to other universities
Interest payments
Membership in civic, community, and social organizations or in dining and country clubs
Goods or services for the personal use of employees, including automobiles
Insurance against defects in NC A&T’s materials or workmanship

3. What costs require written sponsor pre-approval?

Answer:

Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts
Cost sharing or matching
Program income
Revision of budget and program plans
Real property
Equipment
Fixed amount subawards
Compensation—personal services
Compensation—fringe benefits
Entertainment costs
Equipment and other capital expenditures
Exchange rates
Fines, penalties, damages and other settlements
Fund raising and investment management costs
Goods or services for personal use
Insurance and indemnification
Memberships, subscriptions, and professional activity costs
Organization costs
Participant support costs
Pre-award costs
Rearrangement and reconversion costs
Selling and marketing costs
Taxes (including Value Added Tax)
Travel costs

4. What if I need to budget indirect costs, such as clerical or administrative support or general office supplies, as a direct cost?

Answer: If a cost is absolutely necessary and it is treated as an indirect cost, a request can be made to DORED using the Cost Accounting Standards (CAS) Exemption Form for “unlike circumstances.” This form includes both direct charging of clerical and administrative support and other non-salary costs. If a cost is subsequently disallowed, the college, department or principal investigator will be responsible for paying back those charges. The form can be found here.

5. What is the difference in a subrecipient and a contractor?

Answer: Under the Uniform Guidance, Section 200.330 (a), characteristics of a subrecipient include:
• Determines who is eligible to receive what Federal assistance;
• Has its performance measured against whether the objectives of the program were met;
• Has responsibility for programmatic decision making;
• Is responsible for adherence to applicable program compliance requirements specified in the award; and
• Uses the funds to carry out a program for a public purpose as compared to providing goods or services for the benefit of the pass-through entity.

The characteristics of a “contractor” under the Uniform Guidance, Section 200.330 (b), include:
• Provides goods and services within normal business operations;
• Provides similar goods and services to many different purchasers;
• Operates in a competitive environment;
• Provides goods or services that are ancillary (secondary) to the operation of the program; and
• Is not subject to compliance requirements of the Federal program.

The principal investigator is best positioned to make this determination. The PI must use the Checklist to Determine Subrecipient or Contractor Classification, as provided from the Federal Demonstration Partnership, to memorialize this determination. The form can be found here.

6. May I purchase a computer for general use on a sponsored project account?

Answer: Computers are normally classified as general office supplies and, therefore included in the University’s indirect cost rate, as computers are a tool used for a variety of functions often having generic administrative uses. To meet the criteria of an “unlike circumstance” and for the cost of the computer to be directly charged to a sponsored award, predominate usage of a computer must be tied to the technical objectives of the award. Examples include a computer dedicated to run a piece of scientific equipment, to gather and analyze data or image manipulation. Depending on the type of use, the department or college may need to provide funding for a portion of the costs.

7. Can I use unrecovered indirect costs as cost share in my budget?

Answer: Yes, if a sponsor prohibits or reduces indirect cost recovery, those “unrecovered” costs may be used toward cost share on the project with sponsor prior approval.

8. What is the difference in equipment and materials & supplies?

Answer: Equipment is defined as nonexpendable, tangible, personal property having a useful life or one year or greater and an acquisition cost of $5,000 or greater. If the cost has either less than one year of useful life or less than $5,000, the cost should be budgeted as materials and supplies. Fabricated equipment is defined as when multiple items that could be classified as materials and supplies are purchased to create/fabricate an integrated unit of equipment having a total value of $5,000 or more. In these instances, the individual purchases should be budgeted and accounted for as equipment.