

Florida Atlantic University Division of Research
Allowability Overview - Basic Criteria for the Allowability of Costs on Federal Awards

1 Reasonable	Generally accepted as necessary Prudent Person Test / Front Page Test Arms-length transaction Follows FAU Purchasing polices and procedures						
2 Allocable	Benefits the project. Cannot charge a Federal award for items that benefit another project. Cannot move overspent amounts on other projects to Federal awards. Cannot rotate charges among projects by month/week/semester unless the rotation schedule reflects the actual benefit received. Cannot assign charge to the project with largest remaining balance (unless the item solely benefits this project). Cannot assign charge to the project with the earliest expiration date (unless the item solely benefits this project). Cannot charge the budgeted amount instead of basing the amount on actual usage. Cannot charge expense in advance - no prepayments on Federal awards. (For example, no travel advances on Federal awards.) Cannot describe a cost as something that it isn't - can't misclassify to disguise an unallowable cost as an allowable one. Cannot charge expenses on a project to "use up the funds" at the end of the project - no "dumping costs".						
3 Consistent Treatment of Costs	<p>CAS 501 - Consistency in Estimating, Accumulating, and Reporting Costs To comply with CAS 501, both mandatory and voluntary cost share are accounted for in separate Cost Share Accounts. (See DSR Memorandums 98-04 and 99-02.) In addition, proposal budgets are a restatement of the Scope of Work of the proposed project in terms of dollars. Budgets should be constructed using best estimates for the expense items that will ultimately be charged as direct costs on the project.</p> <hr/> <p>CAS 502 - Consistency in Allocating Costs Incurred for the Same Project To comply with CAS 502, FAU implemented the CAS 502 Exception Form in order to prevent double counting. (Also, see DSR Memorandum 99-04.)</p> <p><u>Administrative and Clerical Salaries are typically treated as Indirect Costs.</u> To charge these expenses as direct costs, the project must be a "Major Project" as defined by OMB Circular A-21, Exhibit C.</p> <p><u>Non-Labor Administrative Expenses are typically treated as Indirect Costs.</u> To charge the following Non-Labor Administrative Costs as direct costs, the project must have "special circumstances", as required by CAS 502 and OMB Circular F 6 b:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Postage</td> <td style="text-align: center;">Office Supplies</td> </tr> <tr> <td style="text-align: center;">Local Telephone Costs</td> <td style="text-align: center;">Memberships/Subscriptions</td> </tr> <tr> <td style="text-align: center;">General Purpose Equipment</td> <td style="text-align: center;">General Purpose Software</td> </tr> </table> <hr/> <p>CAS 506 - Cost Accounting Period Must consistently use the University's fiscal year as the cost accounting period for computing the F&A cost rate. This standard does not affect the period of performance of each sponsored project.</p>	Postage	Office Supplies	Local Telephone Costs	Memberships/Subscriptions	General Purpose Equipment	General Purpose Software
Postage	Office Supplies						
Local Telephone Costs	Memberships/Subscriptions						
General Purpose Equipment	General Purpose Software						
4 Conforming to any Limitations	<p>CAS 505 - Accounting for Unallowable Costs Costs must be allowable under OMB Circular A-21 Section J, the award Terms and Conditions, and FAU guidelines. Unallowable costs must not be included in proposal budgets, invoices, financial reports, and F&A cost pools used to calculate the F&A cost rate.</p>						
5 Net of Applicable Credits	OMB Circular A-21, Section C 5 a states that credits must be applied to the same account that the original purchase was charged to. Applicable credits include purchase discounts, rebates, allowances, overpayments and erroneous charges.						