

STANDARD OPERATING PROCEDURE (SOP)  
UW Oshkosh Office of Sponsored Programs

SOP Number: 15  
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Title:  
Allowability, Reasonableness and Allocability of Expenses  
under Sponsored Programs

**OSP Contact Information**

Business Hours: 8:00 a.m. to 4:30 p.m., Monday-Friday (excluding holidays).

Main: 920-424-3215

E-mail: [OSP@uwosh.edu](mailto:OSP@uwosh.edu);

Website: [uwosh.edu/sponsoredprograms](http://uwosh.edu/sponsoredprograms)

**I. Overview**

The federal cost principles under 2 C.F.R. 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” require that expenses charged to a federally-sponsored project be 1). necessary to the sponsored project, 2). reasonably charged, 3). allocable, and 4). consistently treated. This procedure outlines the definition for each of these terms to ensure all costs charged to a federal award are appropriate and allowable. Expenditures under federal awards must conform not only to 2 C.F.R. 200 but to any terms and conditions set forth in the award. UW Oshkosh also applies this guidance to non-federal grant awards.

**II. Applicability:**

This procedure applies to any faculty or staff who are drafting a budget for a grant proposal submission. These individuals should be familiar with this procedure to ensure that all costs build into the grant proposal budget address the cost principles under 2 C.F.R. 200. This procedure also applies to grant administrators and grants accountants who are involved in the preparation and subsequent monitoring of budgets in pre-award and post-award, respectively.

**III. Procedure:**

The following definitions provide guidance for appropriate inclusion of expenses in a federal grant budget.

1. **Allowable Costs (2 C.F.R. 200.403):** Cost must be necessary and reasonable for the performance of the federal award. Cost must conform to limitations or exclusions set forth in the federal award. Must align with generally-accepted accounting principles and must not be used to meet cost sharing requirements of any other federally-funded program.
  - a. Items to consider when determining whether a cost would be allowable:
    - i. Is it reasonable and necessary for the project?
    - ii. Is the cost consistently treated?
  - b. Examples of costs under a federal award that are generally considered allowable:
    - i. Employee compensation for effort performed under the federal award
    - ii. Travel costs that benefit the project and are performed according to University policy
    - iii. Material and supply costs consumed or utilized for the project
    - iv. Other direct costs if they are for the benefit of the project and justified in the budget narrative
2. **Reasonable Costs (2 C.F.R. 200.404):** The nature of the goods or services acquired and the associated amount do not exceed a cost that would be incurred by a person under similar circumstances. Must be similar in cost to fair market costs for comparable goods or services.
  - a. Items to consider when determining whether a cost would be reasonable:
    - i. Is the cost seen as necessary for performance of the project?
    - ii. Does the cost address and satisfy terms set forth by the sponsor and federal and state laws and regulations/
    - iii. Does the cost maintain compliance with institutional policies and procedures that are applicable to sponsored projects?

3. **Allocable Costs (2 C.F.R. 200.405):** Cost is incurred specifically for the federal award and provide a direct benefit to the funded activities. The cost is necessary for the overall success of the award.
- a. Items to consider when determining whether a cost is allocable:
    - i. Is it incurred solely to advance the work?
    - ii. It benefits both the sponsored project and also other work at the University, in proportions that can be reasonably approximated?
    - iii. Is it necessary for the overall success and completion of the sponsored project?

**IV. Guidance Documents/Policy Links:**

- [OMB Uniform Guidance: 2 CFR Part 200.403-Factors Affecting Allowability of Costs](#)
- [OMB Uniform Guidance: 2 C.F.R. Part 200.404-Reasonable Costs](#)
- [OMB Uniform Guidance: 2 C.F.R. Part 200.405-Allocable Costs](#)

**V. Templates/Forms:**

**VI. Definitions**

See above for definitions

**VII. Contact Information:** For questions or comments please contact [OSP@uwosh.edu](mailto:OSP@uwosh.edu) or 920-424-3215

**VIII. Revision History:**

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