

### Cost Principles Reference Guide

2 CFR 200, commonly referred to as the “Uniform Guidance,” was issued by the White House Office of Management and Budget (OMB) and includes revised cost principles for federal awards made on or after December 26<sup>th</sup>, 2014. This Cost Principles Reference Guide highlights selected items of cost that should be considered in the budget preparation process and post award management in accordance with 2 CFR 200.

The table below treatments related to the most significant items of cost that have changed as a result of 2 CFR 200:

#### Significant Items of Cost

Item No.	Description	Directly chargeable to a federal project?	Prior agency written approval required?
1	Administrative & Clerical Salaries	Yes, provided they are integral to the project’s objectives	Yes, budget justification must explain integral nature of the services to the project
2	Computing Devices	Yes, provided they are essential and allocable to the project	No, but computing devices must be itemized in the detailed budget
3	Entertainment	No, unless cost is specific and has programmatic purpose to the project	Yes, budget justification must explain the programmatic purpose
4	Exchange Rates	Yes	Yes, where the change requires additional federal funding or a reduction in scope
5	Goods or services for Personal Use	No, unless they are essential and allocable to the project	Yes, for housing. Budget justification must explain how housing or housing allowance is essential and allocable
6	Participant Support Costs	Yes, now universally across all agencies	Yes
7	Publication & Printing	Yes, even if incurred outside the period of award before closeout	No
8	Rearrangement & Reconversion Costs	Yes, provided they are essential and allocable to the project	Yes, budget justification must explain how facility modifications directly benefit the project
9	Taxes (including VAT)	Yes, except taxes from which exemptions are	No

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		available, special assessments on land, and federal income tax	
10	Visas (short-term)	Yes, if critical and necessary for the project (for recruitment of personnel to work on the project)	No

### Overview of Key Principles

For any cost to be allowable under a federal award, it must:

Be necessary and reasonable for the performance of the award and allocable thereto;

1. Conform to any limitations or exclusions set forth in applicable regulations or in the award itself;
2. Be consistent with policies and procedures that apply uniformly to both federally-financed and other GW activities; and
3. Be accorded consistent treatment

"Direct costs" are those costs that can be identified specifically with a particular sponsored project or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. In contrast, "indirect costs," or facilities and administrative (F&A) costs are those, such as building operations and maintenance, administrative personnel and systems, and other similar costs, that benefit many activities. *Costs incurred for the same purpose in like circumstances must be treated consistently, as either direct or indirect costs.* See 2 C.F.R. §§ 200.403, 405 and 413.

Items requiring prior approval must specifically be requested in the proposal budget or, post-award, must be requested in writing before the proposed change. All such requests must be routed through OVPR's Sponsored Project Office.

#### **1. Administrative and Clerical Salaries (200.413/200.430)**

The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral\* to a project or activity;
- Individuals involved can be specifically identified with the project or activity; and
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency

*\*Integral is defined as essential to the project's goals and objectives, rather than necessary for the overall operation of the institution.*

You may not include the salaries of administrative personnel conducting such activities as financial reconciliations, general office clerical work, and proposal preparation, as these costs must be recovered through F&A charges.

Examples of projects where administrative and clerical costs could be included as direct costs in a proposal, with proper justification, include, but are not limited to:

- Large, complex programs, such as program projects, centers, and other similar sponsored projects;

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- Projects with complex project management requirements, e.g., managing multiple subawards; and
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences.

Costs for developing and maintaining human or animal research protocols, managing substances and chemicals, securing project-specific data, or coordinating research subjects, are not considered "administrative and clerical." The aforementioned costs may be directly charged to a project without obtaining prior approval, provided that they are directly related to work under a federal award and meet all the standard costing requirements.

The budget justification for any award seeking to charge salaries of administrative and clerical staff must include a narrative that explains how the services are integral to the project. Departments may not 'share' or 'rotate' support of a pool of administrative support personnel, but must discretely charge each individual engaged in supporting a particular grant or contract.

## **2. Direct Charges for Computing Devices (200.453)**

Computing devices are defined as machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting and receiving, or storing electronic information. Computing devices should be included under the budget category 'Materials and Supplies' in proposals.

Computing devices costing less than \$2500 that are essential and allocable, but not solely dedicated to the performance of a federal award, may be charged 100% to an award or may be allocated to several awards. Capitalized computer equipment (i.e., costing \$2500 or more), is still classified as general purpose equipment and is normally unallowable as a direct cost unless approved by the awarding agency.

While no prior agency approval is required, computing devices should be itemized in the proposal budget (or in the case of NIH Modular Grant applications, itemized in the budget provided to your Sponsored Project Administrator). In addition, the project must not have reasonable access to other devices or equipment that can achieve the same purpose. Devices may not be purchased for reasons of convenience or preference.

## **3. Entertainment (200.438)**

Entertainment costs are allowable only when the cost is specific and has a programmatic purpose to the award, and is authorized either in the approved budget or with the prior written approval of the federal awarding agency. In all other cases, costs of entertainment, including amusement, and social activities, and any associated costs are unallowable

## **4. Exchange Rates (200.440)**

The cost of fluctuations in exchange rates is allowable as long as there is funding available on the award and prior approval has been received from the federal awarding agency. The institution must review local currency gains to determine the need for additional federal funding before the expiration date of the federal award.

Prior approval is not required every time the exchange rate changes and a federal award is charged. Approval of exchange rate fluctuations is required only when the change results in the need for additional federal funding, or the increased costs results in the need to significantly reduce the scope of the project.

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#### **5. Goods or Services for Personal Use (200.445)**

Housing, allowance and personal living expenses are allowable if approved in advance by the awarding agency as a direct charge. The budget justification must explain the direct benefit to the project.

Costs of goods or services for personal use are unallowable regardless of whether the cost is reported as taxable to the employee.

#### **6. Participant Support Costs (200.75/200.456)**

Participant\* support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects. These costs must now be accepted by agencies as allowable costs, but still require prior agency approval. In addition, these costs must be excluded when calculating the Modified Total Direct Costs (MTDC) to determine the overall project's F&A costs.

\**Participant* is defined as an individual who is the recipient of a service or training provided at a workshop, conference, seminar, symposium or other short-term instructional or information sharing activity funded by a sponsored project. A University employee may not be a participant.

#### **7. Publication and Printing Costs (200.461)**

Costs of publication or sharing of research results that are incurred outside the period of award performance are allowable and may be charged before project closeout, even if the project has ended. These costs should be included in the budget. If publication costs are not identifiable with a particular cost objective they should be allocated as indirect costs and funded by a non-sponsored source.

#### **8. Rearrangement and Reconversion Costs (200.462)**

Costs incurred for special arrangements and alterations of facilities specifically for a federal award are allowable as a direct cost with the prior approval of the awarding agency. The budget justification must explain the direct benefit to the project. Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable only as indirect costs.

#### **9. Taxes, Including Valued Added Tax (VAT) (400.470)**

Taxes required to be paid in accordance with Generally Accepted Accounting Principles (GAAP), payments made to local governments in lieu of taxes that are commensurate with local government services received, and taxes charged for purchase of goods or services that must be paid in country (i.e., Value Added Tax) are allowable, except :

- Taxes for which exemptions are directly available or which are available based on an exemption afforded the federal government, and when the federal awarding agency makes available the necessary exemption certificates;
- Special assessments on land that represent capital improvements; and
- Federal income taxes.

#### **10. Visa, Short-Term (400.463)**

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Short-term visas (as opposed to longer-term immigration visas) are issued for a specific period and purpose, and therefore can be clearly identified as directly connected to recruitment of personnel for a federal award. For the costs to be directly charged to a federal award, they must:

- Be critical and necessary for the conduct of the project;
- Be allowable under the applicable cost principles;
- Be consistent with the non-federal entity's cost accounting practices and entity policy; and
- Meet the definition of "direct costs" as described in the applicable cost principles.

**Additional Information:**

For additional information on 2 CFR 200, please visit OVPR's Uniform Guidance webpage at <https://sponsoredprojects.gwu.edu/guidelines-and-policies>. If you have questions about how to handle a particular cost issue, please contact your Sponsored Project Administrator. OVPR will continue to inform the research community of new developments relating to the uniform Guidance as they become available.

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