Expenditures for Award-Related Goods and Services

Clark University is responsible for managing all federal funds in a manner consistent with the standards set by the Office of Management and Budget (OMB), as well as with all applicable guidelines and policies set by federal agency and other funders. Principal Investigators (PIs) are held responsible for financial oversight of their grants and contracts to ensure that all charges conform to the requirements of the OMB, as well as any and all requirements and terms and conditions of the funder and project award. Grants Accounting and the Office of Sponsored Programs and Research (OSPR) provide additional oversight and support and should be contacted at any point with questions on the financial management of awards.

Determining Allowable Costs

OMB Circular A-21 (Cost Principles for Educational Institutions) establishes the principles for determining what costs are properly applicable to grants, contracts and other agreements with educational institutions.

According to OMB Circular A-21 all costs must be:

1. **Allowable** under the terms of the grant/contract. To be allowable, costs must be:

- Reasonable,
- Allocable to the sponsored agreement,
- Given consistent treatment under accounting principles, and
- Conform to limitations or exclusions set forth in A-21 or in the sponsored agreement.

2. **Reasonable.** PIs should consider the following guidelines for determining reasonableness:

- The actions taken to incur the expense reflect those of a prudent person in those circumstances.
- The cost is recognized as necessary for the operation of the institution or the carrying out of the sponsored project.
- The persons incurring the expense acted prudently and with consideration of their responsibilities to their institution, its employees, its students, the Federal Government, and the public at large.
- The actions taken to incur the expense are consistent with institutional policies and practices applicable to the work of the institution generally, including sponsored projects.

3. **Allocable.** A cost is allocable to a sponsored project if:

- It solely advances the work under the sponsored agreement, or
- It benefits both the sponsored agreement and other institutional work in proportions that can be reasonably approximated, or
- It is necessary to the overall operation of the institution and is deemed allocable in part to sponsored projects in light of OMB principles.

Additional rules regarding allocable costs include:

1. Any costs allocable to a particular sponsored agreement may not be moved to other sponsored agreements to meet deficits caused by overruns, to avoid restrictions, or for any reasons of convenience.

2. If a cost benefits two or more projects in proportions that can be determined, the cost should be allocated to the projects based on proportional benefit. If these proportions cannot be determined, then the costs may be allocated or transferred to benefited projects on a reasonable basis consistent with the principles of OMB Circular A-21.

Unallowable Costs

OMB Circular A-21 describes costs that are not normally allowable for reimbursement (unallowable costs). Unallowable costs cannot be charged to sponsored agreements. The following are some of the cost categories that are unallowable under A-21:

- Alcohol
- Entertainment including luncheons, dinners, banquets, flowers, and decorations for an event
- Certain Memberships and Subscriptions
- Advertising, Public Relations, and Fund Raising (unless advertising for a required position for a research grant)
- Losses on Other Sponsored Agreements or Contracts
- Proposal Costs

OMB Circular A-21 provides full explanations on these and other cost categories. The Office of Sponsored Programs and Research and Grants Accounting can provide further guidance as well and should be contacted directly with any questions on allowable or unallowable costs.

Approval of Award Expenditures

The PI is responsible for developing and reviewing their funding proposal to conform with agency and award guidelines and the Dean of Research approves all proposals prior to submission. Once the University accepts an award, Grants Accounting establishes an account for the award in our financial system. Grants Accounting sends the PI notification of the account set-up with internal fund and account numbers, as well as an Authorized Signatories form to be completed by the PI and returned to Grants Accounting and to the Business Office. The PI may assign some of the duties associated with the financial management of their award to an appropriate person in their department by adding them as an authorized signatory, but primary oversight responsibility remains with the PI.

The PI is responsible for:

- Ensuring all disbursements are allowable and authorized under the terms of the award, OMB guidelines, University policies, and state and federal law;
- Charging expenses to the appropriate account and award;
- Spending according to their established budgets within the period of the award;
- Properly authorizing and documenting expenditures;
- Reviewing expenditures regularly, at least on a monthly basis, and taking immediate action to correct any errors;
- Updating the account with any changes in authorized signers or other award related changes; and
- Monitoring the financial performance of all subawards, including approving their invoices for

payment. See Sub-Recipient/Sub-Award Monitoring policy for more details.

Any payments/reimbursements made directly to the PI must be authorized by the Office of Sponsored Programs and Research.