

Regenstrief Institute, Inc. is a non-profit support organization affiliated primarily with Indiana University. As an entity who receives externally sponsored funding directly and as a flow-through entity, Regenstrief personnel are required to establish general policy and procedures to follow, classify, and apply allowable and unallowable cost principles based on Federal IRS code and Uniform Guidance for externally sponsored awards. Other State rules and agency policies and procedures that are more stringent than the Federal rules, may also apply.

Indiana University provides published guidance for cost considerations, policies and procedures for purchasing and contracting which must be followed (<https://research.iu.edu/awards-agreements/award-management/allowable-costs.html>). Therefore, Regenstrief research administrators and finance personnel can serve as a liaison to connect Investigators and the project/research support staff with the appropriate Departmental administrator and fiscal officer. However, the principles outlined below are consistent. *\*Please note* there are also certain costs considered to be Direct and allowable for Regenstrief, because they are not part of our F&A pool, but the same cost may be considered unallowable in an IU account because they are part of IU's F&A cost pool.

### **Allowable Costs**

Cost allowability depends on a variety of factors that should be taken into consideration when determining allowability for services and expenses to be paid by a contract or grant. Each awarding agency also has the right to establish its own terms and conditions for its awards which will take precedence when more stringent than the federal regulations. Uniform Guidance **§200.403** outlines general factors affecting allowability of costs. The four most common:

- **Reasonable:** Is the goods or services to be bought necessary? Would a prudent person pay that much for the item or service? Could the purchase withstand public scrutiny?
- **Allowable:** the cost of goods subject to any restrictions under Uniform Guidance, agency terms and conditions, the specific contract or award agreement, or governing policies.
- **Allocable:** is the item needed to solely support or advance the work of this specific sponsored award, have a direct benefit, or proportionate to multiple projects where the cost could be reasonably proportioned?
- **Consistent Treatment:** like expenses must be treated in the same manner under like circumstances meaning that sponsors pay for costs either as a direct charge or as a Facilities and Administrative (F&A) cost and not both directly and/or indirectly. The institute must follow the same principle regardless of the source of funding.

### **What is an unallowable cost?**

Costs that do not meet the allowable cost tests cannot be directly charged to a sponsored project. In addition, there are certain direct costs are generally identified

as unallowable under Uniform Guidance and various policies. The following is a list of some and should not be considered all inclusive. \*Please note that a few items are still allowable to a specific degree, but there are other factors which must be approved prior to them being considered allowable:

- Administrative and clerical salaries
- Supplemental pay
- General Office supplies\*
- General Printing or Postage\*
- Honoraria
- Food/ Entertainment/ Alcohol
- Local telephone rental
- Cell phones, PDAs, etc.\*
- Advertising and promotional expenses
- Goods/Services for Personal use including Membership fees/dues
- Background check charges
- Payroll document processing fee
- Travel that was not identified in the grant award
- Public Relations Costs

Examples of indirect costs at Regenstrief that are unallowable: Late fees; Finance charges; legal services; or fund raising charges.

### **Who monitors unallowable costs?**

Principal investigators with assistance from their Center Operations manager and Research Administrator are responsible for ensuring all costs directly charged to sponsored projects are allowable. Good planning and communication during the pre-award phase of a project should help the investigator and project/research team avoid inclusion of potentially unallowable costs in the budget to begin with.

***What if I don't know that I might want to purchase those services or items at the time of the original proposal?*** No problem, but prior to actually making the purchase, please be sure to work with your Research Administrator and/or Operations manager to confirm allowability and get the necessary institute approvals and/or required paperwork before buying.

**Exceptions:** While it would be easy to just say Yes or No, there are times where a combination of factors and prior approvals may be considered to ensure compliance and audit red flags. To resolve exceptions, Regenstrief Institute leadership will review Uniform Guidance, Federal Demonstration Partnership (FDP) expanded authorities, agency and division policies and procedures, university policies, award-specific terms and conditions, and may require consultation with external agency, board, or legal representatives.

**Regenstrief Institute Resources:** The following items are posted under the Finance Library on the Regenstrief intranet. Please note that some of these are in the process of being updated:

- [Purchasing Policy](#); [Purchasing Guide](#); [Purchasing Procedure](#); [Purchasing Training](#)
- [Small Purchase Request Form](#); [Unauthorized Purchase Review Form](#);
- [Expense Reimbursement Policy](#); [Expense Reimbursement Guide](#);
- [Travel Expenditures and Reimbursement Procedure 2019.05.13](#);
- [Exception Review Form](#)