

# MSU Federal/State Cost Policy

Updated 10/1/15 to incorporate the Federal Uniform Guidance at 2 CFR Part 200

Michigan State University's (MSU) Federal/State Cost Policy was developed to assist faculty and staff in the management of federal and state sponsored programs, including the identification of roles and responsibilities and how to determine the allowability of costs. It applies to awards received directly from federal/state agencies, as well as awards received from other sponsors who are contracting with MSU under a prime federal or state award (referred to as flow-thru funds). Please note that awards received from other sponsors, such as foundations and industry partners, are often less restrictive.

## Roles and Responsibilities

MSU faculty and staff perform multiple roles in the management of a sponsored program. The expectations and responsibilities associated with these roles are as follows:

**All Employees** involved in sponsored program administration have a fiduciary responsibility to the University to ensure project transactions are handled according to applicable laws, as well as MSU policies and procedures. The [MSU Manual of Business Procedures](#) provides guidelines for those fiduciary duties while the professional expectations of faculty and staff can be found through [MSU's Human Resources Department](#). MSU employees should not use their position for improper personal or financial gain or place themselves in a situation which could be viewed by others as biasing the employee's professional judgment, or having the potential to bias the employee's judgment. Decisions such as hiring of family members or purchasing items from companies in which you, your spouse, or your dependents have an ownership interest should be avoided, as they may have the appearance of a potential conflict of interest.

**Principal Investigators (PIs)** are responsible for the technical success of their projects, as well as complying with the financial and administrative policies of the University and the award. Although some responsibility may be delegated to staff, PIs must maintain oversight and are accountable for all project activities. PIs' financial responsibilities include, but are not limited to, reviewing the project account's operating statement monthly to ensure that the expenses are appropriate, certifying equipment purchases and subaward payments, and completing applicable effort reports. PIs' technical responsibilities include, but are not limited to, executing the scope of work outlined in the award, completing technical/progress reports, as well as invention and equipment reports to the sponsor as required in the award, and ensuring the integrity of collaborative relationships.

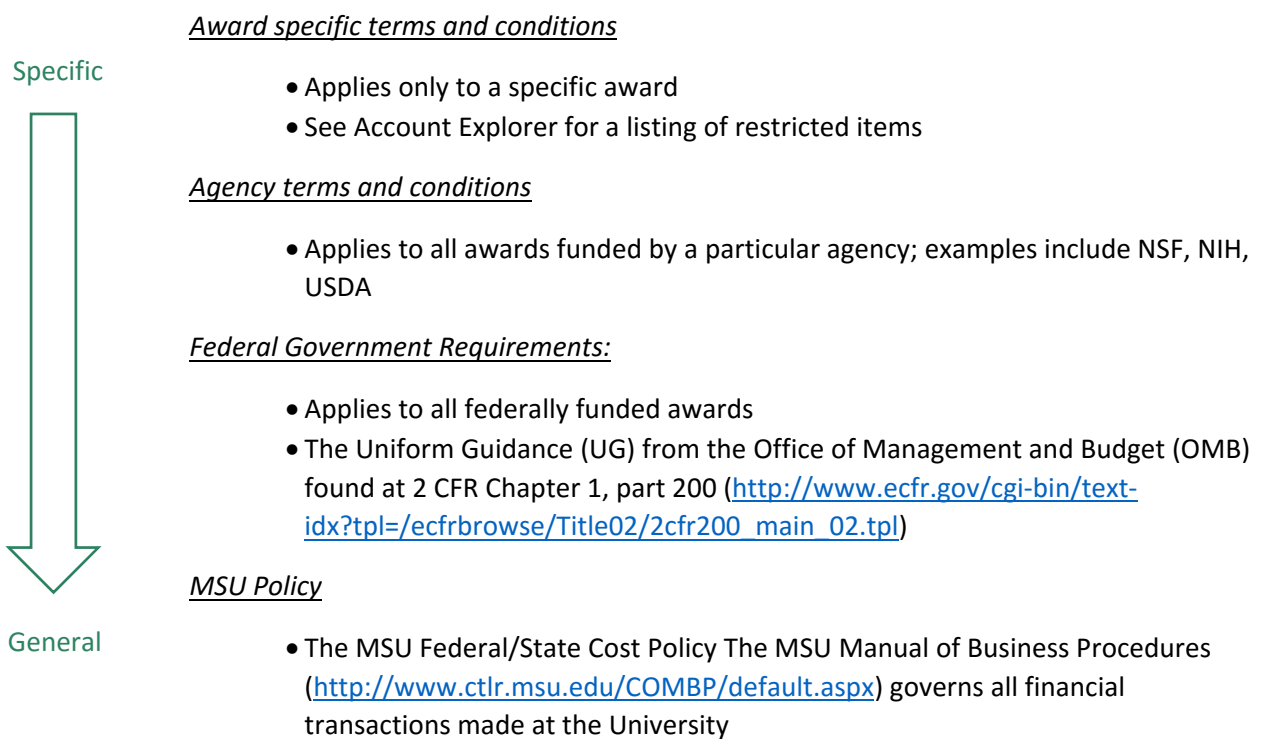
**Departmental and College Administrators** assist the PI in managing sponsored program accounts with their knowledge of specific project terms and conditions, as well as MSU systems. They support the execution of the project by performing the following tasks: process forms to hire staff, apportion salaries to project account(s), order supplies, facilitate travel, review and process sub-awardee payments, prepare budget to actual projections, review operating statements (FIN049), etc. Departments provide an additional level of approval for financial transactions by assigning a Fiscal Officer, who is responsible for the daily oversight on how project funds are spent and managed.

**Central Offices** support PIs and administrators by providing information and assistance on MSU business processes, which encompass sponsored program accounts. Examples include: Payroll, Purchasing, Capital Asset Management (equipment), Accounting, IRB, IACUC, OSP, VPRGS, Export Control, Human Resources, etc.

**Contract and Grant Administration (CGA)** provides guidance and assistance to faculty and administrators with respect to financial and contractual administration of sponsored programs. CGA is the point of contact and authorized official for the University to funding agencies and for audit inquiries. CGA provides services such as account set up, preparing most federal subawards, requesting no-cost extensions and/or prior agency approvals, managing effort reports, interpreting terms and conditions, reviewing financial transactions such as subaward payments, international travel, cost transfers, Non-Resident Professional Service agreements, conducting a review of expenses that post to the account without CGA pre-review, preparing invoices and financial reports, monitoring cost share, drawing down funds, preparing closeout documents, performing accounts receivable follow up, and calculating/negotiating MSU's Facilities & Administrative (F&A) rate.

### Which Rules Apply - Order of Precedence

Expenditures on externally funded awards must comply with the more restrictive of agency or University policy.



In instances of discrepancy between the general provisions and the project terms and conditions of an award, the award provisions should govern. When MSU policy and agency policy differ, the more restrictive policy applies.

### Basic Cost Principles

Expenses incurred on sponsored program accounts must be allowable, reasonable, allocable, and consistently treated between a direct cost and something normally treated as an indirect or an F&A cost. In addition, sufficient documentation must be available (attached to transaction, maintained in department, etc.) to demonstrate that the following basic cost principles are met.

- **Allowable:** The cost must comply with the policies and procedures of MSU, as well as the specific project terms and conditions of the agreement, and be adequately documented; [2 CFR 200.403](#)
- **Reasonable:** The cost does not exceed that which would be incurred by a prudent person; [2 CFR 200.404](#)
- **Allocable:** The cost must be allocated to the project(s) in accordance with the benefits received; [2 CFR 200.405](#)
- **Consistently Treated:** The cost must be accorded consistent treatment; i.e., an expense may not be charged to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the award as an indirect cost; [2 CFR 200.403](#)

### *Needed, Received, and Used*

Auditors focus on expenditures that are incurred close to a project’s end date (i.e. is it truly necessary for the project or just using unspent funds). As a result, purchases need to meet a "needed, received and used" principle. Allowable expenditures during the last 3 months of a project period need to affirmatively answer the following questions.

Is the item(s) *needed* to complete the project objectives?

Was it *received* by the project end date?

Was it *used* in support of the project by the project end date?

For example, the Principal Investigator (PI) wants to buy a piece of equipment three months before the end of a project. In addition to meeting the basic considerations of federal cost principles (allowable, reasonable, allocable, and consistently treated), the equipment purchase must also be in accordance with the “needed, received and used” criteria, meaning it is needed to complete the scope of work and will be received and used by project personnel prior to the end date.

Exceptions to the “needed, received and used” principle are publications costs (within the 90 or 120 close-out period) and unique items with specific agency approval.

### Usual Treatment as Allowable or Unallowable for the Following Sample Items

Expense categories listed below are provided for reference purposes and are not all inclusive.

Select the expense category name for guidance on when the expense may or may not be allowable on a state or federally funded project, as well as documentation that may be necessary to support the cost.

Costs that are typically unallowable may only be charged to your project account when specifically approved by the awarding agency in the award budget or correspondence from the grants officer.

### Advertising and Public Relations

	Allowable	Unallowable
Advertising and public relations costs incurred solely for project purposes	✓	
Gifts, souvenirs and costs to promote MSU		✓
Gifts based on custom or given as a thank you		✓

Additional information

- Examples of advertising and public relations expenses that are typically allowable include:
  - Project personnel recruitment
  - Program outreach
  - Required communication/press releases
  - Advertising for disposal of project materials (usually handled by MSU Surplus)

References

- [2 CFR 200.421](#)

Alcoholic beverages

	Allowable	Unallowable
Alcoholic beverages		✓

References

- [2 CFR 200.423](#)
- <https://ctrl.msu.edu/COMBP/mbp46EBS.aspx#I13>

Alumni activities and Contributions

	Allowable	Unallowable
Alumni activities		✓
Contributions/Donations		✓

References

- [2 CFR 200.424](#)
- [2 CFR 200.434](#)

Capital expenditures

	Allowable	Unallowable
Building construction and/or land acquisition (unless it is the purpose of the award)		✓

References

- [2 CFR 200.439](#)
- <https://usd.msu.edu/mbp/mbp-224/index.html>

## Entertainment

	Allowable	Unallowable
Entertainment costs including but not limited to amusement, diversion and social activities		✓

### Additional information

- Exceptions must be listed in the approved budget.

### References

- [2 CFR 200.438](#)

## Equipment

Equipment is defined as an item with a useful life of more than one year and a unit cost of at least \$5,000.

	Allowable	Unallowable
Special purpose equipment used for project activities that has been approved by the agency or was included in the approved budget.	✓	
General purpose equipment, buildings, land, or improvements to those items that materially increase the value.		✓
The capitalization of MSU labor costs used to fabricate equipment.		✓

### Additional information

- The cost of special purpose equipment should be charged to projects in proportion to its anticipated use and should be coded with appropriate equipment object codes
- In order to avoid duplicate purchases, the Principal Investigator (PI) must provide the following certification. "I certify that this equipment is necessary and will be used for the project charged or in relative proportion to the projects to which the costs will be charged and that similar equipment is not available for use."
  - Must be attached to Requisition, Purchase Order, or Asset Fabrication document
- MSU labor costs used to fabricate equipment are considered a salary or contractual service cost and will be subject to the appropriate F&A.
  - An example of a labor cost that may be allowable as pay but not capitalized is IPF labor (or other labor billed as a Service Billing or Internal Billing) to fabricate equipment.

### References

- [2 CFR 200.439](#)
- [2 CFR 200.318](#)
- <https://usd.msu.edu/mbp/mbp-224/index.html>
- <https://ctrl.msu.edu/COMBP/mbp19EBS.aspx>

## Fines and penalties

	Allowable	Unallowable
Fines and penalties including late fees on invoices, special handling fees (payroll off cycle, rush payment fees, etc)		✓

### References

- [2 CFR 200.441](#)

## Losses on other awards or contracts

	Allowable	Unallowable
Losses on other awards including moving expenses from one account to another account due to lack of funds, moving expenses to another account because the original grantor didn't pay, etc.		✓

### References

- [2 CFR 200.451](#)

## Maintenance/Repair Costs

	Allowable	Unallowable
Maintenance/repair costs of necessary and specific project items.	✓	
IPF charges for general department or lab repairs and maintenance.		✓

### Additional information

- An example is of an allowable maintenance cost is an equipment maintenance contract, when the equipment is used for project purposes.
- General maintenance costs such as the repair of window air conditioner, of a hallway eyewash drain, or a ceiling water leak are typically unallowable, as they are assumed to be part of MSU's basic infrastructure, and therefore recovered through the F&A rate.

### References

- [2 CFR 200.452](#)

## Meals

	Allowable	Unallowable
MSU employee meals when they are in travel status.	✓	
Meals as part of a project conference	✓	
Meals for potential project personnel as part of recruiting	✓	
Meals for non-MSU, non-federal visitors/collaborators	✓	
MSU employee meals when they are not in travel status.		✓
Meals for MSU employee participation in recruiting or with visitors/collaborators		✓
Meal costs for MSU employee participation in “working” meals		✓
Meals for meetings in which technical information is shared between MSU project personnel only (i.e. lab/staff meetings)		✓

### Additional information

- Factors that affect the allowability of meals include: business purpose, length and location of event, and the participation of non-MSU employees
- Required documentation with meal transactions include: agenda, list of participants and business purpose.
- The cost of meals for potential project personnel as part of recruiting should be charged in proportion to the percentage of anticipated effort on the project.

### References

- <https://ctrl.msu.edu/COMBP/mbp45EBS.aspx>
- <https://ctrl.msu.edu/COMBP/mbp46EBS.aspx>

## Meetings and Conferences

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond MSU personnel.

	Allowable	Unallowable
Meeting and conference costs when reasonable and necessary to project objectives (normally listed in the approved budget).	✓	
Costs associated with meetings and conferences attended by only MSU personnel not in travel status (i.e. lab/staff meetings).		✓
Costs when the purpose of the meeting is other than the dissemination of technical information.		✓

### Additional information

- Costs typically associated with a conference/meeting include: facility rental, A/V equipment costs, conference attendee lodging and meals, printing costs.

- Factors that affect the allowability of a conference/meeting include: business purpose and length and location of event
  - Required documentation with conference transactions include: agenda, list of participants and business purpose
  - A best practice procedure to document reasonable conference costs is having sign-in sheets for all conference attendees.

References

- [2 CFR 200.432](#)
- <https://ctrl.msu.edu/COMBP/mbp45EBS.aspx>

Membership, Subscriptions, and Professional Activity Costs

	Allowable	Unallowable
Membership, subscription, and professional activity costs when they directly benefit the sponsored program	✓	
MSU’s membership in business, technical and professional organizations.	✓	
Individual memberships that are in accordance with MSU’s Manual of Business Procedures	✓	

References

- [2 CFR 200.454](#)
- <http://ctrl.msu.edu/combp/mbp47EBS.aspx>

Participant Support Costs

Participant Support Costs are costs for participants or trainees (but not employees) in connection with conferences, workshops, or training projects and may include stipends, subsistence allowances, travel costs and registration fees.

	Allowable	Unallowable
Participant support costs that have prior agency approval.	✓	
Costs related to MSU employees		✓

Additional information

- Participant support costs must be separately identified in the agency approved budget
- This is a restricted budget category, any budget deviations into or out of this category requires agency approval.
- Exempt from F&A for all federal awarding agencies.

References

- [2 CFR 200.456](#)
- [2 CFR 200.75](#)
- [2 CFR 200.308](#)



## Personal use goods or services

	Allowable	Unallowable
Items used by employees that are project specific	✓	
Personal use of goods and services		✓

### Additional Information

- Examples of good and services that are the responsibility of the employee are GPS used to find a hotel, toiletries, and clothing.
- Examples of items used by employees that are project specific are bug spray in Africa, waders for work in streams, and medical shots required for international travel.

### References

- [2 CFR 200.445](#)

## Pre-Award Costs

	Allowable	Unallowable
Expenses incurred prior to the project start date.		✓

### Additional information

- Many federal agencies, such as NSF and NIH allow for 90-day pre-award spending on grants without prior approval.

### References

- [2 CFR 200.458](#)
- Specific agency guidelines

## Professional Services

	Allowable	Unallowable
Professional services when costs are reasonable and necessary to project objectives.	✓	
Speaker fees	✓	
Honorariums.		✓
Lump sum payments without a rate justification.		✓

Additional information

- Specific agency guidelines may include maximum rates or other restrictions on professional service costs.
- The word honorarium/KFS expenditure object code “honoraria/6415” should not be used, as the primary intent of an honorarium is to confer distinction of respect/esteem and is not cost based.
- Payments for speaker fees should use KFS object code 6414.
- Many agencies expect documentation to justify rates as the rate justification is a factor in determining the reasonableness of a cost.
- MSU employees need to be included in the salary budget category. See Federal Cost Policy section “Salaries and Wages” for additional information.

References

- [2 CFR 200.459](#)
- <https://ctrl.msu.edu/COMBP/mbp71.aspx>

Proposal Costs

	Allowable	Unallowable
Costs to prepare a non-competitive renewal	✓	
Costs of preparing proposals or applications for a potential project		✓

Additional information

- The cost of preparing proposals for potential projects is typically treated as an indirect cost, i.e. paid by General Fund accounts.

References

- [2 CFR 200.460](#)

Salaries and Wages

	Allowable	Unallowable
Faculty, technical staff and student pay at Institutional Base Salary (IBS) rates	✓	
Administrative or clerical salary that is integral to the project or activity, includes individuals who can be specifically identified with the project or activity, are explicitly included in the budget or have prior written approval of the awarding agency, and the costs are not also recovered as indirect costs.	✓	
Non faculty overtime in compliance with employee contracts and when related to project activities	✓	
Lump sum payments without a rate justification		✓
Faculty overload		✓
General administrative and clerical salaries		✓

### Additional information

- Faculty administrative increment(s) are included in IBS, but Health Care Service Component (HSRC) and Outside Work for Pay are not included in IBS.
- Administrative or clerical may be allowable when all the following criteria are met:
  - Administrative or clerical services are integral to a project or activity;
  - Individuals involved can be specifically identified with the project or activity;
  - Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency;
    - Administrative/clerical salaries on awards received prior to Dec. 26, 2014, will need to be justified, but will not require agency approval until a modification is received.
  - The costs are not also recovered as indirect costs.
- Lump sum payments are discouraged because many agencies expect documentation to justify rates as the rate justification is a factor in determining the reasonableness of a cost.
- Faculty overload is generally unallowable because intra-institution consulting is assumed to be a part of faculty duties. Prior agency approval is necessary and may be granted when Faculty overload is paid across departmental lines and is in addition to regular responsibilities.
- Salary/payroll costs should be supported by completed time cards (students/hourly pay) or Effort Report as appropriate.

### References

- [2 CFR 200.430](#)

### Scholarships/Fellowships

A scholarship or fellowship is typically paid as a stipend to the individual or as tuition payments, and are made to encourage course/degree completion.

	Allowable	Unallowable
Agency approved scholarships/fellowships paid on a sponsored program whose purpose is to provide training.	✓	
Scholarships/Fellowships used as a mechanism to pay for services		✓

### Additional information

- Due to the nature of this type of expense, it is rarely allowed on research projects as the payments are not made in exchange for services, i.e. as an employee.
- Employee benefit packages may include a component for tuition or course reimbursement and are allowable as a fringe benefit.

### References

- [2 CFR 200.466](#)
- <https://ctrl.msu.edu/COMBP/mbp23.aspx>

## Sponsorships

A sponsorship is a commitment to financially support an external entity for a specific activity.

	Allowable	Unallowable
Sponsorships with the purpose of providing funds to a project related event or activity.	✓	
Sponsorships viewed as donations.		✓

### Additional information

- Sponsorships that provide funds to a project related event or activity are usually listed in the approved budget and may be justified by MSU participation in the event. A statement demonstrating the reasonableness of the cost should be included.

### References

- <https://ctrl.msu.edu/COMBP/mbp47EBS.aspx>

## Supplies/Materials

	Allowable	Unallowable
Project supplies used for the performance of the award	✓	
Computing devices that are essential and allocable to the project	✓	
Office supplies		✓

### Additional information

- When not charged solely to the project, appropriate allocation documentation should be maintained and may be reviewed.
- When project supplies are purchased near the end of a project, please refer to the Needed, Received and Used section of this policy.
- Office supplies can support numerous activities and are difficult to track for use to a specific project, and are therefore normally treated as an indirect cost, i.e. paid by General Fund accounts.
  - Examples of supplies that are typically considered office supplies are toner, paper, pens, office furniture, business cards, printers, etc.

### References

- [2 CFR 200.453](#)
- [2 CFR 200.413](#)

## Telephone charges

	Allowable	Unallowable
Long distance charges specifically identified to a project (i.e. who was called and how those called are affiliated with the project).	✓	
Cell phone minutes, phone cards, or hardware needed for an international project	✓	
Telephone charges, such as local and cell phone costs, not easily identifiable to the project		✓
Smart phones and related data plans		✓

### Additional information

- Local and cell phone costs can support numerous activities and are difficult to track for use to a specific project, and are therefore normally treated as an indirect cost, i.e. paid by General Fund accounts.

### References

- [2 CFR 200, Appendix III](#)
- <http://ipf.msu.edu/resources/manual-of-business-procedures/280.html>

## Travel

	Allowable	Unallowable
Travel costs such as transportation, lodging, and subsistence and related items incurred when necessary to support project activities.	✓	
Travel advance fee when necessary for documented project related travel or under special circumstances.	✓	
International transaction fee with receipt or bank/credit card statement	✓	
Change fee for airfare with documented project related business purpose or under special circumstances	✓	
Short term travel visa costs with documented business necessity.	✓	
Business/First class airfare or costs in excess of the least expensive commercial travel.		✓
Dependent travel costs		✓
Extraordinary temporary dependent care costs.		✓

### Additional information

- Project related business purpose for the travel must be documented.
- Expenses are allowed when they are in accordance with MSU's travel policies: <http://www.ctr.msu.edu/combp/mbp70EBS.aspx> .

- Passports are typically unallowable as they can be for both personal and business/project use. However, second passports for business/project use only or additional passport pages to accommodate project travel may be allowable.
- Air travel must be compliant with the Fly America Act, if federally funded.
- Dependent costs may be allowable for travel with a duration of six months or more and with agency prior approval.
- There is no MSU wide policy related to extraordinary temporary dependent care costs. Therefore, these costs as a result of project travel are generally unallowable.

#### References

- [2 CFR 200.474](#)
- <https://ctrl.msu.edu/COMBP/mbp61EBS.aspx> <https://ctrl.msu.edu/COMBP/mbp70EBS.aspx>
- MSU's Reimbursement Chart: <http://www.ctrl.msu.edu/COTravel/ReimbursementChart.aspx>