Policies, Procedures, and Guidelines
Allocation of Expenses to Sponsored Awards

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Policies, Procedures, and Guidelines Statement
This document sets forth the Sponsored Programs Accounting guidelines for allocating expenses to sponsored awards. A cost is allocable to a particular sponsored project if the goods or services involved are chargeable or assignable to that sponsored project in accordance with relative benefits received.

General Guidelines
Expenses to sponsored awards must be allowable, allocable, reasonable and consistently treated. A cost is allocable to a particular sponsored project if the cost:

- Is incurred specifically for the sponsored project;
- Benefits both the sponsored project and other work of Tufts University and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of Tufts University and is assignable, in whole or in part, to the sponsored project in accordance with federal regulations (where applicable) and the sponsor or award-specific terms and conditions.

If an expense solely benefits one project, it should be charged entirely to that benefiting project. However, if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable, documented basis.

I. Proportional Benefit
If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects.

Example: A PI has two awards which require the purchase of mice to conduct experiments. The specific aims for one award indicate 150 mice are needed to conduct the research, and the specific aims of the second award require 50 mice to conduct the research. The PI orders 200 mice and allocates the cost of the mice 75%/25% between the awards.

The initiator of the transaction (Principal Investigator (PI)/Co-PI/authorized designee) needs to have first-hand knowledge of the benefit to the sponsored project. The initiator will ensure that the goods or services are reasonable, are appropriate to be charged to the sponsored project(s), and are allowable according to University and applicable sponsor policies.
If a preparer is processing a request on behalf of the initiator, the individual should have received the appropriate proportional allocation instructions from the initiator in order to execute the purchase. Documentation may be in the form of an email, fax, departmental request form, etc.

II. Interrelationship Benefit

If a cost benefits two or more projects or activities in proportions that cannot be easily determined due to the interrelationship of the work involved, then the cost may be allocated to the benefiting projects on any reasonable basis.

Example: Pipettes purchased for use in a laboratory are needed for the technicians working concurrently on three research projects. A reasonable method of allocating the cost of the pipettes could be based on the number of FTEs working on each project in the laboratory.

Developing an Interrelationship Allocation Methodology

When costs cannot be easily allocated and determined due to the interrelationship of work involved, it may be necessary to determine a method for allocating costs that supports a reasonable distribution across multiple awards. The basis for allocating a cost among awards should logically relate to the type of expense incurred. For example, it would be appropriate to allocate lab supplies based on the proportion of effort devoted to each award (measured as FTEs), whereas rent expense may be more appropriately allocated based on the square footage of lab space occupied by each award rather than FTEs in the space.

The methodology chosen should produce an allocation of costs to each sponsored award that reasonably reflects the benefit received by each award. Some examples of methodologies that could be used as a basis for allocating costs include:

- Effort of research personnel (headcount or FTEs)
  - The cost of lab supplies proportionately allocated based upon the PI's percentage of effort charged to each project
  - The cost of renting space allocated based upon the number of FTEs working on each project
- Laboratory space (square footage)
  - The salary of a student assistant that cleans glassware in two laboratories that are conducting similar research proportionately allocated based upon the square footage of the two laboratories.
- Number of experiments or procedures performed
  - The cost of syringes allocated based upon the number of experiments performed on each project
- Actual usage records for a representative sample
  - The cost of lab supplies allocated based upon the quantity used on each project (e.g. one week, one experiment cycle, etc.)
- Number of hours
  - The cost of equipment allocated based upon the number of hours logged on for each project

Documenting an Allocation Methodology

Different allocation methodologies may be required for different types of costs. When developing an interrelationship allocation methodology, it is important that the basis for the allocation method be:

- Documented contemporaneously with the cost being incurred and allocated; and
- Approved in advance by the Principal Investigator(s) or initiator of the awards to which the costs are allocated.
An allocation methodology should never be based on the amount of funds available in sponsored awards. Any costs allocable to a particular sponsored research award may not be shifted to other sponsored awards in order to meet deficiencies caused by overexpenditures (deficits). Costs cannot be shifted to avoid restrictions imposed by law or terms of the sponsored agreement or for other reasons of convenience.

In addition, allocation methodologies should be reviewed periodically to ensure they are reasonable. Significant changes to the population may signal the need to review the allocation methodology. Also, allocations based on FTE’s must be updated to reflect any changes in headcount or effort. Methodologies based on sampling, surveys, etc., should be reviewed, updated, and approved by the PI at least once each fiscal year and/or when new awards are received and awards expire.

Occasionally, it may not be possible to allocate costs to the benefiting sponsored awards at the time the goods or services are purchased. Such costs must be recorded in a non-sponsored account (i.e. DeptID). “Parking” costs on a sponsored award with the intention of later allocating some or all of the costs to other awards is a violation of federal regulations.

Note: If costs are initially recorded in a non-sponsored account, the eventual distribution of these costs to a sponsored award is a cost transfer that must comply with the University’s cost transfer procedure.

Sponsored Programs Accounting Internal Procedure

Each Post Award Financial Specialist will ensure that the methodology is documented for any expenditure reviewed or approved by SPA (including expense transfers) and allocated to two or more sponsored awards or combination of awards and DeptIDs.

The allocation methodology should be documented by the initiator of the transaction at or before the time of purchase for any expense shared between two or more sponsored awards or combination of awards and DeptIDs, for any reason other than fulfilling part of a cost sharing agreement. The method used to split the expense is important so that anyone reviewing the documentation will understand why the expense is being divided. Therefore, the allocation methodology should be part of the supporting documentation provided by the initiator for all purchases including those in eReq, the Capital Expenditure Authorization (CEA) system, Aptricity, and other Tufts systems.

Related Information

OMB Circular A-21 - http://www.whitehouse.gov/omb/circulars_a021_2004

Revision History

n/a