

## Table of Contents – 900 Grants Policies

|   |    |
|---|----|
| 900 Grants Policies .....                                   | 1  |
| 903 Acceptance of Contracts and Grant Awards.....           | 1  |
| 903.1 Trustee Delegation of Authority for Grant Awards..... | 1  |
| 904 Grant Procurement and Purchasing.....                   | 1  |
| 905 Grant Travel Expense Policy.....                        | 5  |
| 906 Disposal of Grant Funded Property .....                 | 6  |
| 907 Grant Records Management and Retention Policy .....     | 7  |
| 908 Indirect Costs .....                                    | 8  |
| 909 Shared Cost Allocation Methodology.....                 | 11 |

## 900 Grants Policies

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## 903 Acceptance of Contracts and Grant Awards

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State law (RSA 188-F:6 V) provides authority for the board of Trustees to “accept any moneys accruing to the community college system and its colleges, or moneys appropriated by or received from the United States government or the State of New Hampshire, including federal financial aid, and any grant moneys from state or federal governmental agencies, public or private corporations, foundations or organizations for the benefit and support of the community college system.”

### 903.1 Trustee Delegation of Authority for Grant Awards

The Board of Trustees delegates to the Chancellor the responsibility and authority for acceptance, approval, oversight, and management of all moneys/grants as identified in RSA 188-F:6 V above and to report to the Board.

1. The Chancellor, in turn, delegates to the President of each College the responsibility and authority for approval of grants in the amount of \$50,000 and under within the parameters and processes established by the Chancellor.
2. Each College shall solely have the responsibility, oversight, and management of grants under \$5,000
3. The Sponsored Programs Office, through the CCSNH Systems Office will provide financial and operational compliance oversight of grants over \$5,000 and assist the colleges in management of grant awards above the \$5,000 amount.

## 904 Grant Procurement and Purchasing

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CCSNH procurement’s primary objective is to award timely and cost-effective contracts to qualified contractors, suppliers, and service providers for goods and services effectively supporting our mission statement.

1. Source of Funds: This policy is strictly for grant funded procurement. Please see policy 440.20 for guidance on purchasing of goods and services using CCSNH operational funds.
2. Delegation of Authority: Goods and services purchased with grant funding must be approved by the Project Investigator, the Business Administrative Officer, and the Director of Sponsored Programs before a purchase can be made. All grant purchase orders under \$100,000 are signed by the Chief Operating Officer and all purchase orders over \$100,000 are to be signed by the Chancellor.

3. Competitive Bids: CCSNH requires competitive bids for purchases made with grant funds of **\$250,000 and over** as is recommended by federal Uniform Grant Guidance. (Please see policy 440.20 for the bid threshold for CCSNH operational funds). Certain exceptions to the competitive bid process may apply and are detailed in 440.20(11). All grant bids will be posted to the CCSNH website for a minimum of two weeks on the CCSNH webpage. In addition, all bids for service are required to be advertised in a state-wide publication for a minimum of three (3) days. Advertising in other publications is permissible, but not required. As part of the bid process and Uniform Grant Guidance, Buy America, will be part of the scoring criteria when bids are reviewed. Written documentation must be given as to why the specific bidder was chosen and kept on file in the Sponsored Programs Office.
4. Timely Bid Proposals: RFP specification must be provided to the System Office Finance Department at least 30 days prior to the requested posting date. A shorter period may be allowed where necessitated by emergency or extraordinary/extenuating circumstances. It is expected that colleges will submit timely information for contracts and purchases that require an RFP. Failure to request a timely RFP for budgeted and ordinary contracts and purchases does not constitute an emergency and may result in a posting delay.
5. Ethical Practices and Conflict of Interest: Individuals purchasing goods and services on behalf of CCSNH must conduct business in a professional manner and all qualified vendors must be given an equal opportunity to compete for CCSNH business. Purchasing decisions should be made with integrity and objectivity, free from any personal bias or benefits, and follow CCSNH purchasing policies and procedures. Please see policy 902: Grant Conflict of Interest Policy for further guidance.
6. Unauthorized Purchase: All grant purchases for goods and services must follow the proper protocols. Any individual committing CCSNH funds without proper authorization does so at his/her own risk. CCSNH may decline to ratify the purchase, declare it to be void and decline to pay. In such a case, the individual has acted at his/her own personal financial risk. Whenever possible, where CCSNH has declined to ratify the purchase, it will attempt to return the improperly purchased item to the vendor. If the purchase cannot be returned, CCSNH may require reimbursement from the individual who placed the order.
7. Grant Funded Purchases: CCSNH must follow Uniform Grant Guidance for all grant purchases for goods and services whether they are federal, state, or private grants. This includes:
  - a. Adhering to the purchasing thresholds -
    - i. \$0 - \$9,999 - Micro Purchase (Micro-purchases may be awarded without soliciting competitive price or rate quotations if the non-Federal entity considers the price to be reasonable based on research, experience, purchase history or other information and documents it files accordingly).
    - ii. \$10,000 - \$250,000 - Three quotes must be obtained for each purchase. Please note that the amount is the aggregate total, meaning that if multiple purchases from the same vendor during the

- life of the grant exceed \$10,000 then three quotes must be obtained. The three quotes must be kept by the Sponsored Programs Office for three years after the grant ends.
- iii. \$250,000 and above - A RFP process must be utilized with scoring criteria that includes the stipulations put forth in the grant, such as the scope, item to be purchased, and whether the good or service comes from an American based company.
  - b. Approval of all required personnel must be received, and a purchase order created, before goods and services can be purchased. Purchase orders will be used for all purchases except for travel. P-cards may be used for travel expenses, but a purchase order must be created to encumber the funds prior to the P-card being used. The Sponsored Programs Office will assist with any issues that arise from purchase order use.
  - c. Disbarment in SAM.gov must be checked for all purchases prior to a purchase order being created, an order placed, a contract signed, or services rendered. If a vendor is disbarred per SAM.gov, then a new vendor must be found.
  - d. Disbarment in SAM.gov must be checked for all personnel hired using grant funds prior to their being hired. This should be checked for every grant even if the person is paid from multiple grant funds.
  - e. A purchase order must have a signature on the bottom before the order can be placed. All grant purchase orders under \$100,000 are signed by the Chief Operating Officer and all purchase orders over \$100,000 are to be signed by the Chancellor.
8. Timely Orders and Emergencies: In the case of an emergency purchase of \$50,000 or greater, the CCSNH Chief Operating Officer must be informed of the situation as soon as possible by the college. The Chief Operating Officer and the college will work together to address the emergency. Written documentation describing the emergency must be attached to a requisition stating the circumstances related to the incident.
9. Brand Justification and Sole Source Requests: For contracts and purchases of \$10,000 or more, three quotes must be obtained. In cases where a certain brand, make or model of product is required:
- a. Written justification stating the reason must be provided and include an explanation of why the specific brand, make or model of product, the services of a particular provider or commodity of a particular manufacturer, is requested, and
  - b. An explanation of why other brands, makes, model, providers, or manufacturers would not be acceptable.
  - c. In instances where a specific brand, make, or model is being requested by an industry partner, or is determined to be industry standard, a certification documenting the information and signed by the industry partner should be attached to the requisition.

The request shall be granted for the brand justification by the CCSNH Chief Operating Officer or designee. Due to the time limits of grants, the Chief Operating Officer shall have

two weeks to review and approve, so that purchasing can be conducted in a timely manner. If they conclude that the specific brand, make or model of product, the services of a particular provider, or the commodity of a particular manufacturer either:

- i. Is required for the college making the request to fulfill its mission.
- ii. Is required per the scope of the grant award.
- iii. Is required to preserve the health or safety of personnel or others person, or
- iv. Is necessary in view of existing equipment or other commodities which would be rendered non-functional.

Upon approval of a brand justification, the requestor must determine if the brand requested is sold by a single or multiple vendor. If the brand is available from multiple vendors, the requestor is required to obtain the appropriate number of quotes, or issue a request for proposal, based on the dollar value of the purchase.

Sole source requests occur when a required commodity or service is procurable from only one source or seller. The College/System Office shall:

- v. Submit to the CCSNH Chief Operating Officer a sole source request in writing which shall include a statement of why the College/Systems Office believes that the suggested vendor is the sole source of the commodity or service requested.
- vi. In cases of commodity, a written verification from the product manufacturer that verifies only they or a single distributor is authorized to provide the requested product must be attached to the requisition form.

Sole source approval shall be granted if the sole source justification demonstrates that the requested commodity or service is procurable from only one source or seller. Sole source approval does not waive the requirement of brand justification approval.

Grant RFP specifications are written based on the scope of the grant award and the regulations to be followed by Uniform Grant Guidance, such as Buy America. Bids must meet the threshold of the specifications written in the grant award, including cost of goods or service. If the lowest bid or bids are not chosen by the committee, a written justification providing a detailed explanation as to why the vendor or vendors were not selected must be provided by the requisitioner and approved by the CCSNH Chief Operating Officer or designee. The Chief Operating Officer will make their decision in conjunction with the Sponsored Programs Office after review of the grant award. It is the final decision of the Chief Financial Officer or designee to accept or reject this justification.

All documentation, RFP bid process, brand justification, sole source requests, etc., is to be forwarded and kept by the Sponsored Programs Office.

10. Additional Requirement for IT Purchases: All information technology related purchases must have approval from the Chief Information Officer. Colleges may require IT approval at the local level in addition to system level approval. Refer to your local purchasing procedures for guidance. All software purchases must have written approval from the Chief Information Officer.

If any part of this policy conflicts with a grant award agreement, the grant award agreement will prevail.

## 905 Grant Travel Expense Policy

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It is the policy of the Community College System of NH (CCSNH) to pay for reasonable and necessary expenses incurred by employees and authorized non-employees for authorized CCSNH business travel. This policy applies to employees and non-employees who travel on authorized CCSNH business, regardless of funding.

Please see policy 440.10 Travel Expense Policy for routine travel reimbursement for in state or out-of-state travel regardless of funding.

**Purchase orders must be created to secure hotel rooms, rental cars, or airlines prior to a P-card being used.** Itemized receipts must be received by Sponsored Programs for all travel expenses, including hotel rooms, air travel, rental cars, gas reimbursement, tolls, and food. Itemized receipts for food are based on the GSA (General Services Administration) guidelines where the conference is held.

Per Uniform Grant Guidance, CFR (Code of Federal Regulations) [200.475](#):

*“(a) **General.** Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such costs may be charged on an actual cost basis, on a per diem (<https://www.gsa.gov/travel/plan-book/per-diem-rates>) or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel reimbursement policies. Notwithstanding the provisions of [§ 200.444](#), travel costs of officials covered by that section are allowable with the prior written approval of the Federal awarding agency or pass-through entity when they are specifically related to the Federal award.*

*(b) **Lodging and subsistence.** Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charged directly to the Federal award documentation must justify that:*

- (1) Participation of the individual is necessary to the Federal award; and*
- (2) The costs are reasonable and consistent with non-Federal entity's established travel policy.*

*(c)*

*(1) Temporary dependent care costs (as dependent is defined in [26 U.S.C. 152](#)) beyond regular dependent care that directly results from travel to conferences is allowable provided that:*

- (i) The costs are a direct result of the individual's travel for the Federal award.*
- (ii) The costs are consistent with the non-Federal entity's documented travel policy for all entity travel; and*
- (iii) Are only temporary during the travel period.*

*(2) Travel costs for dependents are unallowable, except for travel of duration of six months or more with prior approval of the Federal awarding agency. See also [§ 200.432](#).*

(d) In the absence of an acceptable, written non-Federal entity policy regarding travel costs, the rates and amounts established under (“Travel and Subsistence Expenses; Mileage Allowances”), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter must apply to travel under Federal awards (48 CFR 31.205–46(a)).

(e) **Commercial air travel.**

(1) Airfare costs more than the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

- (i) Require circuitous routing.
- (ii) Require travel during unreasonable hours.
- (iii) Excessively prolonged travel.
- (iv) Result in additional costs that would offset the transportation savings; or
- (v) Offer accommodation not adequate for the traveler's medical needs. The non-Federal entity must justify and document these conditions case-by-case for the use of first-class or business-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal Government will not question a non-Federal entity's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-Federal entity can demonstrate that such airfare was not available in the specific case.

(f) **Air travel by other than commercial carrier.** Costs of travel by non-Federal entity-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of airfare as provided for in [paragraph \(d\)](#) of this section, is unallowable.”

## 906 Disposal of Grant Funded Property

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Supplies and equipment acquired through CCSNH are the property of CCSNH and/or the state, federal or other sponsor. All equipment over \$5,000, per item, and any pilferable items under \$5,000, such as tablets, laptops, audio/visual or manufacturing supplies that are good for over one year, shall be entered into the inventory system for tracking purposes.

For disposal of property purchased with federal grant or contract funds, the college, or System Office, must obtain all necessary written approvals from the applicable sponsor and/or cognizant agency prior to advertisement or disposal. If there is a residual inventory of unused supplies and/or equipment exceeding \$5,000 in total aggregate fair market value upon termination of the grant and if the equipment and/or supplies are not needed for any other federal sponsored programs or projects, the grantee or sub-grantee shall compensate the awarding agency for its share.

When original equipment acquired under a federal or state grant is no longer needed for the original project, nor for other activities currently or previously supported by the federal or state agency, disposition of the equipment will be made as follows:

1. If the equipment still has useful life, it is recommended that another federal or college program use it.



2. Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the awarding agency.
3. Items of equipment with a current per-unit fair market value more than \$5,000, may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from the sale by awarding the agency's share of the equipment.
4. If the item no longer has a useful life, it is recommended that the item be disposed of in the following order:
  - a. Offer the equipment to another CCSNH college that will use the equipment in connection with other program activities originally sponsored by the federal or state agency.
  - b. Offer the equipment to another entity outside of CCSNH that will use the equipment in connection with other program activities originally sponsored by the federal or state agency.
  - c. Offer the equipment to another CCSNH college that will use the equipment in connection with other program activities originally sponsored by another federal or state awarding agency.
  - d. Offer the equipment to another entity outside of CCSNH that will use the equipment in connection with other program activities originally sponsored by another federal or state awarding agency.

If planning to replace/upgrade or sell the equipment the following applies:

Sponsored Programs will determine if the equipment has a fair market value of \$5K or greater. If it does, Sponsored Programs will contact the federal agency for disposal instructions. The federal agency has 120 days to exercise their option to have the equipment returned to them or to another federal agency. If the federal agency does not respond within 120 days, the equipment may be sold, but it is not permissible to retain all the proceeds. CCSNH may keep \$500.00 or up to 10% of the proceeds, whichever is less, and return the remaining funds to the federal agency.

The Principal Investigators and the Sponsored Programs Office will be responsible for implementing the appropriate disposition method.

Property records of disposed equipment must be kept on file in our inventory system for not less than three years after date of disposition.

## 907 Grant Records Management and Retention Policy

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Please see CCSNH policy 562.04 Records Management and Retention Policy for CCSNH standards for record retention.

Per Uniform Guidance, [CFR 200.334](#) Retention Requirement for Records is as follows:



“Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to grant awards must be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the awarding agency or pass-through entity in the case of a subrecipient. Awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities. The only exceptions are the following:

- (a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.
- (b) When the non-Federal entity is notified in writing by the Federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period.
- (c) Records for real property and equipment acquired with Federal funds must be retained for 3 years after final disposition.
- (d) When records are transferred to or maintained by the Federal awarding agency or pass-through entity, the 3-year retention requirement is not applicable to the non-Federal entity.
- (e) Records for program income transactions after the period of performance. In some cases, recipients must report program income after the period of performance. Where there is such a requirement, the retention period for the records pertaining to the earning of the program income starts from the end of the non-Federal entity's fiscal year in which the program income is earned.
- (f) Indirect cost rate proposals and cost allocations plans, including indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).
  - (1) **If submitted for negotiation.** If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the pass-through entity) to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts from the date of such submission.
  - (2) **If not submitted for negotiation.** If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the pass-through entity) for negotiation purposes, then the 3-year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.”

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1. Facilities and Administrative (F&A, indirect, or overhead) costs are those associated with providing and maintaining the infrastructure that supports grant programs and which cannot be easily identified with a specific project. F&A costs are classified into two broad categories: "Facilities" and "Administration." "Facilities" include libraries, buildings, grounds, and buildings upkeep, etc. "Administration" is defined as general administration and general expenses such as the Systems Office, accounting, personnel, and all other types of expenditures not listed specifically under one of the subcategories of "Facilities".

Uniform Grant Guidance provides direction on whether a cost can be directly charged to a sponsored project or should be included as an indirect cost. Based on these cost principles, institutional indirect cost rates are negotiated with and determined by a designated cognizant federal agency (DHHS) and are typically valid for four years. CCSNH's current negotiated indirect cost rates for on-campus and off-campus activities are based on Modified Total Direct Costs (MTDC). Though this indirect cost rate is negotiated with the federal government, CCSNH applies the same rate to projects funded by non-governmental organizations, including but not limited to private foundations and corporations, unless they state an indirect cost cap on their grant applications.

Every effort should be made to recover all costs of extramurally funded projects by applying an appropriate federally negotiated rate. The current negotiated rate for CCSNH is 55% for on-campus and 26% for off-campus programs. The Systems Office understands that our seven colleges are not research institutions which are more inclined to take the fully negotiated rate.

To that point, CCSNH has decided to base the indirect cost rate as a tiered system:

- a. \$1M+ - 35%
- b. \$500K-\$1M - 28%
- c. Below \$500K - 20%
- d. Off-campus - 26%

To determine the applicable F&A rate for a specific project the following factors must be considered:

- e. project amount
- f. whether the project is on-campus or off-campus
- g. funding source

In some circumstances, rates other than those specified in the CCSNH agreement may be appropriate. Those instances include the following:

- h. some agreements with the State of New Hampshire
- i. private grantor agencies that cap at a specific indirect rate

It is important to determine the appropriate F&A rate at the very beginning of the budget building process. Principal Investigators will consult with the SPO prior to initiating or participating in any discussions of project cost and review the F&A application with sponsors to ensure appropriate project costing.

Principal Investigators and college administrators are responsible for budgeting indirect cost rates based on the tiered rates below unless an exception is granted by a CCSNH official with the authority to do so. If a Principal Investigator would like to request an indirect cost rate that is lower than what is allowed by the sponsor, they must submit an Indirect Cost Waiver Form for review and approval. Waiving a portion of indirect costs is an institutional decision and will be considered on a case-by-case basis. An indirect cost waiver must be 1) approved by the appropriate President sponsoring the program and the COO prior to proposal submission, and 2) documented early in the budget development process. The Principal Investigator should complete a Waiver Request Form with assistance from the SPO and attach two versions of the budget for comparison: one with the full/allowed indirect costs and the second with the requested/reduced indirect costs. A written explanation of why reducing indirect costs is in the best interests of the project and/or CCSNH must be included. Because of the extra review required, indirect cost waiver requests should be submitted for consideration as early as possible.

## 2. Use of F&A Costs

### **F&A Costs recovered from Sponsored Projects should be used to:**

- a. Cover specific expenses established in the Indirect Cost Negotiated Rate Sheet approved by the federal government; and
- b. Grow sponsored programs at the College.

Examples of the use of recovered F&A Costs include:

- c. **General administrative costs** - expenses including clerical services, general office supplies, postage, telephone, and other general administrative expenses which could not be charged as direct costs on federal grants but could be covered by the recovered indirect costs.
- d. **Proposal development costs** - costs associated with (i) hiring of grant writers, (ii) travel expenses to meet with sponsors, (iii) expenses to host a sponsor and/or prospective partner on the grant, or an influential project supporter, and (iv) seed funding to start new projects which will generate external funding.
- e. **Networking costs** - costs associated with travel to meet with representatives of the funding agency, conference participation or university visits which will result in the submission of a collaborative proposal.

Recovered F&A Costs are not to be used to augment faculty and staff salaries. All recovered F&A Costs are to be used to cover the administrative costs established in the negotiated agreement or to generate more Sponsored Programs. Indirect costs cannot be directly applied to the production of a specific good or service. Instead,

they are costs that go into running the college. The portion of indirect costs that go towards producing certain items must be distributed accurately.

## 909 Shared Cost Allocation Methodology

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### 1. Cost Share Allocation Procedure

Throughout the life of an award, all expenses necessary to meet the scientific and programmatic aims of the project should be directly charged to the award, according to the procedures outlined in GAP 200.320, Direct Charges to Sponsored Projects. It is following this initial charge that cost sharing may be executed as appropriate given the nature of the expense.

### 2. Shared Direct Costs

What are they?

- a. Costs incurred for common or joint objectives.
- b. Not easily identifiable to a single cost objective
- c. Benefiting multiple programs
- Examples:
  - d. Eligibility determination
  - e. Case management
  - f. Guidance counseling
  - g. Allocated based on an acceptable shared direct cost methodology (number of participants served, square footage used by program)

Uniform Guidance Subpart E [§200.405 \(d\), Allocable Costs](#), stipulates that it is necessary to substantiate the proportional benefit of costs when costs benefit two or more projects.

*"If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit."*

These costs should be simply allocated to each award to reflect the easily determined 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 benefited projects on any reasonable documented basis."*

When non-payroll costs benefit two or more projects or activities in proportions that are not easily determined, **an allocation is necessary.**

### 3. Allocation methodologies differ based on:

- a. Whether the costs apply to one or multiple awards or projects, and
- b. Whether or not the relative benefits of the cost can be easily determined and measured.

### 4. Cost allocation methodologies are as follows:

- a. **Costs charged to one award or project** based on an easily determined, measurable benefit to the project or activity.
  - b. **Costs allocated among multiple awards or projects** based on an easily determined, measurable relative benefit across several benefiting projects or activities.
5. Costs allocated among multiple awards or projects based on relative benefit when the benefit is known, but not easily determined or not practically measurable across several funding sources. An allocation uses a reasoned basis to approximate the measurable benefit to distribute a direct cost.
6. What is the best allocation base?

There is no single answer to this question. Many factors can affect your decision, such as type of organization, levels within an organization, organizational structure, method of program delivery, accounting and participant reporting systems, types of costs included in the pool, and availability of other types of data to use as a base.

A base that is chosen should be as directly related as possible to the costs being allocated and the benefits received.

- a. **Accounting** - Number of transactions, direct labor hours, allowable survey methods
- b. **Auditing** - Direct audit hours, expenditures audited.
- c. **Counselor** - Direct labor hours, number of participants counseled.
- d. **Intake** - Number of eligible participants, current period enrollments
- e. **Office space** - Square feet of space occupied, staff salary distribution
- f. **Postage** - Direct usage, acceptable survey methods
- g. **Printing/Reproduction** - Direct labor hours, job basis, pages printed.
- h. **Telephone** - Number of instruments, staff salary distribution
- i. **Travel** - Mileage, actual expenses, direct labor hours
- j. **Utilities** - Square feet of space occupied, staff salary distribution

The methodology should periodically be reviewed to ensure that it is still appropriate and the fairest method at distributing cost based on the benefit received.

#### 7. Common Problems

- a. Allocation based on available funds.
- b. Inappropriate allocation base
- c. Allocation based on budget.
- d. Allocation based on size of award.

#### 8. Required Components of Cost Allocation

Departments must document the following components of an allocation:

- a. The **percentage** of the cost charged for each project or activity.
- b. The **method** or reasoning used to derive that percentage.
- c. Accompanying **documentation** and, where applicable, **approvals**.

The following are best practices for allocating costs and documenting the methods used:

- d. Whenever possible, identify the basis of the allocation method before purchasing or ordering the goods or services.
- e. Across a department or research group, apply appropriate allocation methodologies that best fit the expense types and allocation cost basis, rather than using the same methodology for all costs in the department.
- f. Document the allocation methodology prior to, or concurrently with, the costs being incurred and allocated. Include the rationale for using the selected basis to approximate the relative benefit received by each project or activity.
- g. Review allocations regularly to ensure they continue to reflect the correct proportions of benefit to the projects or awards.
- h. Obtain approvals according to department practices.

It is important that departments document the methodologies that are used for all awards and project costs that must be allocated. Best practices include the following:

- i. Once the allocation methodology has been determined and approved, retain the documentation with records of the financial transaction.
- j. Document the rationale or logic that supports the linkage between costs incurred and proportional benefit to all benefiting projects.
- k. Document the determination or calculation of percentages used to allocate costs to all benefiting projects, including all supporting metrics such as headcounts, FTEs, etc.
- l. Document the process for updating the methodologies used for costs, including the frequency of review, revision, and approval to ensure that costs remain allocated based on relative benefit to all benefiting projects.
- m. If the allocation requires a calculation for each distribution, attach documentation supporting the calculation with records of the financial transaction.
- n. If the allocation does not require a calculation for each distribution and uses a department-approved methodology, document the methodology with records of the financial transaction.

## 9. Cost Allocation Examples

**Cost allocation based on usage.** The monthly cost of supplies/expendables to maintain a lab computer system is \$1,000. The computer system is used solely for projects A and B. The computer operating system keeps a log of users and their time on the system. Project A assistants have 100 combined user hours a month and Project B assistants have 80 combined user hours a month. A reasonable base to allocate the expense would be computer user hours.

- a. The cost allocated to Project A is \$560 (100 user hrs. / 180 total user hrs. x \$1,000).

- b. The cost allocated to Project B is \$440 (80 user hrs. / 180 total user's hrs. x \$1,000).

**Cost allocation based on effort.** A research assistant spends 80% of their effort on Project A and 20% effort on Project B. The research assistant uses supplies totaling \$3,000 per month on the two projects. Usage is directly related to the amount of effort devoted to each project.

- c. \$2,400 (80% of \$3,000) is charged to Project A.
- d. \$600 (20% of \$3,000) is charged to Project B.

**Cost allocation based on square footage.** A total of \$3,000 a month in rent is paid for two laboratories that are conducting similar research. In this example, the square footage of the laboratories could be used as a reasonable basis. Lab A is 1,600 square feet and Lab B is 1,200 square feet.

- e. Lab A is charged \$1,714 (1,600 sq. ft / 2,800 sq. ft x \$3,000).
- f. Lab B is charged \$1,286 (1,200 sq. ft / 2,800 sq. ft x \$3,000).

It is always best to look at every scenario individually, use the Shared Cost Allocation Methodology as your guide, and make a prudent decision.

## 10. Roles and Responsibilities

Principal Investigators:

- a. Identify mandatory shared cost requirements in sponsor guidelines and ensure PI awareness of any such requirements.
- b. Ensure commitments of shared costs are appropriately identified at time of proposal and at time of award.
- c. If cost sharing is identified after award set-up, ensure that appropriate documentation appears in award documents.
- d. Appropriately allocate and document the fulfillment of shared cost allocations throughout the life of the award.

BAOs:

- e. Obtain necessary approvals by Sponsored Programs for shared cost allocations prior to proposal submission.
- f. Work with GM as needed throughout the life of award to identify and approve shared cost allocation.

Departments:

- g. Review and approve or deny shared cost allocations.
- h. Identify fund sources for meeting shared cost allocations.
- i. Ensure shared cost methodology procedures have been followed.





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- j. Verify that all allocations have been met.
- k. Credit project as necessary