**Purpose:**

In compliance with the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200, (Uniform Guidance) and the Cost Accounting Standards, the University of North Texas has established the following guidance for the allocation of goods or services that benefit two or more projects or activities.

**Background:**

The federal government expects universities to charge their federal grants and contracts using accepted cost principles. A cost charged to a project should be reasonable, allowable, and **allocable.**

**Cost benefiting one project or activity:**

If a cost benefits a single project, the goods or services should be allocated to and directly charged solely to that one project or activity.

**Cost benefiting more than one project or activity:**

 Allocations to two or more projects or activities are often necessary when Principal Investigators and administrators are assigning costs to sponsored projects or other activities under their leadership in terms of the relative benefit provided to each project or activity.

The costs can be distributed in proportions that may be approximated using reasonable methods.

**Uniform Guidance provides two methods for allocating a cost to multiple funding sources:**

• **The Proportional Benefit Methodology**: When the “proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.”

Example: A PI purchases 10 grams of gold to be used for two experiments. 3 grams are used on Award A and 7 grams on Award B.

30% (3/10) is charged to Award A

70% (7/10) is charged to Award B.

**The Interrelationship Methodology:** If the proportion of the benefit cannot be easily determined “the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.”

* Example: A lab purchases many expendable items such as lab grade chemicals, (i.e., methanol, glucose and salt), tubing for equipment, razors and syringes which are used in the lab for many of the various activities in the lab. It is impossible to determine when purchasing these items exactly how many/much will be used for each Award, and it would not be cost effective to track the use of this one chemical. Instead, the lab allocates the cost of these items based on the amount of effort the lab personnel who uses these items expends on each Award.

If the effort allocation of the individuals in the lab is 60/40 on Awards A and B, the cost of these item would also be allocated on a 60/40 percent basis.

**Costs may not be allocated based upon:**

• Project Constraints:

* + Available funds on a specific award
	+ Addressing an award that is over or under budget
	+ Utilizing funds on a project that will be ending shortly
	+ Circumventing restrictions on an Award

• Rotating charges between two awards or activities. Ex: Charging to award A this time and to award B next time.

• Exclusively charging to sponsored projects when the expense benefits other activities.

**Allocation Best Practices**

• Where there is an interrelationship between the two projects or activities, one should document the allocation methodology with an explanation of how the allocation methodology is reasonably related to the costs being allocated

• The allocation should be developed in advance of the purchase with the input and approval of the Principal Investigator (PI) of the projects to which the costs are allocated.

• When it is not possible to allocate costs to the benefiting sponsored projects at the time when the goods or services are purchased, costs must be recorded in a non-sponsored account.

• The PI working with the research administrators should on a regular basis review the allocation methodology they have developed to ensure that the allocation of costs is reasonable.