

Cost Principles Policy



Policy Number: 200-001
Effective Date: July 1, 2023
Last Updated: June 14, 2025
Issuing Authority: Vice President for Research
Responsible Office: Office of Sponsored Programs

Scope:

It is the policy of Howard University (herein referred to as “Howard” or “University”) to have in place written policies and procedures (“Policies and Procedures”) to govern the methods of general management, internal operations and organization of its entities.

All Policies and Procedures of the University will govern all entities, affiliates, and subsidiaries that are required to report results to Federal Government and/or other external funding unless specifically stated otherwise, including Howard University Hospital, WHUR (Radio Station); WHUT (Television Station); and other entities and/or affiliates.

Policy:

Regulatory Compliance Guidance

- The cost principles associated with determining cost allowability or unallowability are codified in [2 CFR Part 200](#), the Office of Management and Budget Guidance for Federal Financial Assistance, which is also referred to as the Uniform Guidance.
- The following list includes items of costs that are a subset of those described in the Uniform Guidance in subsections [420 through 476](#). They are examples of those commonly included in Federal financial assistance awards. This listing is not all-inclusive and each cost directly charged or allocated to a Federally sponsored award should be carefully considered to determine its allowability.
- Some of the following costs are generally unallowable from being charged and recorded to grant and contracts that are received from federal awards. However, there may be exceptions related to award, sponsor, or legislative requirements. Failure to mention a particular item of cost, included as an example in certain sections is not intended to imply that it is either allowable or unallowable. When determining the allowability for an item of cost, each case should be based on the treatment provided for similar or related items of cost and on the principles described in [§ 200.402](#) through [200.411](#). In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs. Criteria outlined in [§ 200.403](#) must be applied in determining allowability.

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2 CFR Part 200 Section Ref.	Cost Allowability
421	This section of the Uniform Guidance covers both advertising and public relations costs. Though each are generally unallowable, the guidance describes circumstances where they are allowable, i.e., when they are necessary to meet the requirements of the sponsored agreement.
422	Advisory council or committee--. Costs incurred by both internal and external advisory councils or committees are allowable if authorized by statute, the Federal agency, or as an indirect cost where allocable to Federal awards. See § 200.444 , which applies to States, local governments, and Indian Tribes.
423	Alcoholic beverage costs are generally unallowable
424	Alumni activity costs are unallowable.
425	Audit Services – A reasonably proportionate share of audit services required under the Single Audit Act are allowable. For allowability of costs associated with other types of internal and external audits, consult this section of the Guidance.
426	Bad debt costs are unallowable.
200.427 Bonding costs.	Bonding Costs are allowable on Federal awards when required by the terms and conditions of the award.
200.428	Improper Payments – the cost of recovery of improper payment, including improper overpayments, are allowable as either direct or indirect costs, as appropriate. The recipient or subrecipient may use the amounts collected in accordance with cash management standards described in § 200.305 .
429	Commencement and Convocation are unallowable, except as activity costs provided for in Appendix III, (B)(9) Student Administration and Services.
200.430	200.430 Compensation - Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits addressed in § 200.431 .
431	Compensation-fringe benefits Fringe benefits are allowances and services employers provide to their employees as compensation in addition to regular salaries and wages. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are

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	<p>required by law, an organization-employee agreement, or an established policy of the recipient or subrecipient.</p> <p>This section of the Guidance includes a robust discussion of the allowable and unallowable costs that comprise fringe benefits.</p>
433	<p>Contingency Funds are generally unallowable when added as an estimate for unforeseen budget shortfalls.</p> <p>However, there are instances where contingency costs are allowable in federally funded financial assistance budgets, for instance information technology and construction projects. In such instances, it is permissible for contingency amounts to be explicitly included in budget estimates to the extent necessary to improve their precision. Amounts must be estimated using broadly accepted cost estimating methodologies, specified in the budget documentation of the Federal award, and accepted by the Federal agency. As such, contingency amounts are to be included in the Federal award. For actual costs incurred to be allowable, they must comply with the cost principles and other requirements of this part (see §§ 200.300 and 200.403), be necessary and reasonable for proper and efficient accomplishment of project or program objectives and be verifiable from the recipient's or subrecipient's records.</p>
434	Contributions and donations made are unallowable
438	Entertainment costs including amusement, diversion, and social activities and any costs directly associated with such costs are unallowable unless they are required for programmatic purposes and either in the approved budget or with prior written approval.
441	Fines and penalties costs resulting from violations of, alleged violations of, or failure to comply with federal, state, local or foreign laws and regulations are unallowable unless specifically approved by a federal agency or with prior written approval.
458	Pre-award costs are allowable only when deemed necessary for the performance for the scope of the federal award and only to the extent that they would have been allowable if incurred after the date of the federal award and only with written approval of the federal awarding agency
468	Student activity costs are unallowable unless specifically provided in the sponsored agreements.
J53	Airfare travel costs in excess of the lowest available commercial discount airfare or customary standard coach airfare are unallowable except in special circumstances.

Implementation Guidelines:

Every organizational entity, college/school, department and other stakeholders must adhere to the requirements of this policy.

It is Howard's policy to properly identify and segregate allowable and unallowable costs and exclude unallowable costs from any government contract.

Controls to Segregate Unallowable Costs

- Howard provides training on Unallowable Costs
- Supporting documentation is reviewed to look for unallowable costs as described in the Uniform Guidance.
- Segregation of duties in review and authorization of costs
- Authorizing official is knowledgeable of unallowable costs
- Accounting system is designed to segregate unallowable costs. Such costs are charged to a nonrecoverable account.
- Expense transactions are reviewed to ensure that unallowable costs are coded to appropriate Grant, Task and Award.

Allowability

Factors determining whether a cost is allowable include:

- Be reasonable for the performance of the award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the award as to types or amounts of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- Be accorded consistent treatment.
- Be determined in accordance with Generally Accepted Accounting Principles (GAAP).
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or prior period.
- Adequate supporting documentation.

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Allocability

A cost is allocable to a particular cost objective, such as a grant, contract, project, service or other activity, in accordance with the relative benefits received. A cost is allocable to a federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- Is incurred specifically for the award.
- Benefits both the award and other work and can be distributed in reasonable proportions to the benefits received, or
- Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.
- Any cost properly allocable to a particular award or other cost objective under these principles may not be shifted to other federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

Reasonableness

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business. Factors to consider are:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
- The restraints or requirements imposed by such factors as generally accepted sound business practices, arms-length bargaining, federal and state laws and regulations, and terms and conditions of the award.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the organization, its members, employees, clients, the public at large and the federal government
- Significant deviations from the established practices of Howard, which may unjustifiably increase the award costs

Summary of factors determining allowability

- Reasonable
- Allocable
- Not expressly or mutually agreed to be unallowable
- Consistently accounted for in accordance with CAS and appropriate GAAP.
- Costs are consistently accounted for when, based on the applicable facts and

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circumstances of the situation, they are:

- Accounted for in accordance with the applicable GAAP
- Accounted for in accordance with Howard's accounting practices disclosed in its CAS Disclosure Statement submitted to the U.S. government
- Consistently recorded as either direct or indirect costs
- Consistently recorded as either allowable or unallowable costs
- Consistently recorded to federal and nonfederal sponsors without bias.
- This accounting consistency shall be maintained across the entire organization. If in doubt, direct all questions to the Manager, Finance Compliance section or Director of Disbursements.

Documentation & Record Keeping:

All documentation and record keeping requirements shall conform to federal record retention requirements and University policy.

Forms and Links:

[Office of Research Ticketing System](#)