

## 5. FEDERAL RULES RE. DIRECT COSTS

- A-110 INCORPORATES FEDERAL COST PRINCIPLES. C\_\_ .21 (6)
- A-110 IDENTIFIES APPLICABLE COST PRINCIPLES. C\_\_ .25 (6) OMB CIRCULAR A-21
  - REASONABLE
  - ALLOCABLE
  - ALLOWABLE

- REASONABLE

(A-21 C. 3.)

- PRUDENT PERSON TEST
- NECESSARY?
- CONSISTENT WITH INSTITUTIONAL POLICIES
- CONSISTENT WITH TERMS OF AWARD

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(NOT IN A-21)

- DOES IT MAKE SENSE?
- IS IT FOR PERSONAL BENEFIT OR BENEFIT TO THE GRANT?
- IS THE QUALITY ABOVE WHAT IS REQUIRED TO PERFORM THE WORK?

- **ALLOCABLE (COST BENEFIT PRINCIPLE)**

ADVANCE THE WORK OF THE GRANT

BENEFITS BOTH THE GRANT AND  
INSTITUTION, PROPORTIONS  
APPROXIMATED BY REASONABLE  
METHODS

COSTS INCURRED UNDER ONE  
GRANT MAY NOT BE SHIFTED TO OTHER  
SPONSORED AGREEMENTS TO MEET  
DEFICIENCIES CAUSED BY OVERRUNS,  
TO AVOID RESTRICTIONS, OR FOR  
CONVENIENCE

- DOES THE COST BENEFIT THE GRANT  
AT ALL? If yes, how much?  
e.g. supplies, admin & clerical, subscriptions,  
email, fax, telephones, cell phones

- ALLOWABLE  
SEE A-21 SECTION J FOR LIST OF 50  
SPECIFIC ALLOWABLE AND  
UNALLOWABLE COSTS.

Not all cost items are listed  
Some items are clearly allowable, or unallowable  
Some items are allowable subject to limits, agency  
approval, ifs, and buts.

- APPROPRIATE: UNWRITTEN RULES.  
A POLITICAL, PUBLIC PERCEPTION  
STANDARD. ARE AS REAL AS WRITTEN  
RULES

The AUNT EMMA TEST.  
HOW WOULD THE CHARGE LOOK TO  
YOUR LOCAL STUDENT NEWSPAPER,  
LOCAL HOSTILE NEWSPAPER  
REPORTER?  
CALIFORNIA LEGISLATURE  
IT'S JUST NOT WORTH RISK/HASSLE

- INTERNAL CONTROLS

IS THE PI ALWAYS RIGHT?

Answers are not usually simple or clear.  
Cost items not specifically listed in Circular.  
Caveats, conditions, limits, prior agency approval.