

BELOIT COLLEGE

Cost Policy Statement

General Cost Policies

1. Accounting Basis

The College uses the accrual basis of accounting and a fiscal year of June 1 through May 31.

2. Accounting Records

The College accumulates costs and revenues in accounts coded for both the purpose and type of expense. All costs should be supported by auditable records.

3. Indirect Costs

Indirect Costs are costs that cannot be directly associated with a specific project, account, or activity. Examples include expenses for: human resources, budget office, accounting services, payroll, the library, departmental administration, depreciation on buildings and equipment, utilities, information technology support, etc. The indirect cost rate used for federal grants is set by the federal government and is based on actual historical costs incurred by the College. The College uses salaries and wages as the allocation base for indirect costs.

Grant applications submitted to external agencies or foundations should request funding for indirect costs whenever the granting agency permits support for those expenses.

4. Direct Costs

Direct Costs are costs that can be identified with a specific project, account, or activity. Costs may be charged directly to federal projects only when they are necessary for the project and allowable.

To be allowable, the costs must be:

- Allocable, meaning the cost of the goods or services can be assigned to a project based on the relative benefits provided to the project;
- Reasonable, based on what a prudent person would have done under the same circumstances;
- Permissible under the law, by federal cost standards, by College policies, and by the grantor; and
- Consistently treated, meaning costs should be treated the same way, either as direct or indirect costs, for all institutional activities.

5. Unacceptable Direct Costs

It is unacceptable to do any of the following with direct charges:

- Record costs on a grant just because it has funding available;
- Charge a budgeted amount rather than the actual amount of an expense;
- Incur costs before the start date of the grant—unless the grantor approves; or
- Charge a project for costs that also benefit other projects or the College in general—unless the grantor has approved the purchase.

6. Differences in Policy

If there are discrepancies between a grantor's general policy and College policy, the more restrictive terms apply. However, if there are specific terms and conditions in an agreement, those terms and conditions take precedence.

7. Internal Controls

The College maintains adequate internal controls to insure that no costs are charged both directly and indirectly to Federal contracts or grants.

8. Matching Costs

All matching that the College will provide in connection with the grant should be disclosed to the appropriate Vice President for approval before a grant proposal is submitted. This includes both matching costs required by the grantor and those the College will incur at its own discretion to support the grant. With equipment grants, it is especially important to consider the potential costs of building renovations and ongoing maintenance and support.

Some grantors may allow the College to meet matching requirements with in-kind contributions—those provided by the College for a project in a form other than money, such as the use of equipment, materials, and services. Even when grantors will not provide payments for indirect costs, they may allow the College to use its negotiated indirect cost rate as part of any required cost-sharing.

Matching may be provided from restricted funds at the College (as long as it is not disallowed by the grantor) however, federal funds may never be used to meet the matching requirement for another federal grant.

All matching costs mentioned in the proposal and/or grant agreement must be incurred after the date costs are first permitted for the grant and must be documented by the same methods used for directly-charged costs.

9. Equipment

Equipment (as defined by the grantor) must be separately budgeted and described in the grant proposal. The principal investigator is responsible for complying with applicable procurement standards, including obtaining multiple bids, if applicable.

All equipment and supplies purchased with grant funds become the property of the College—unless the grantor provides for other terms or conditions. Subject to approval by the Vice President of Finance and Planning and grantor guidelines, the College may agree to sell and/or transfer research-related equipment to another school if the principal investigator leaves the College. The Vice President should be informed of the original funding source before disposing of equipment purchased with grant funding.

10. Principal Investigator

The principal investigator is responsible for complying with all institutional policies and grantor requirements in administering the grant, including submitting all reports in a timely manner. Someone from the Accounting Office should review all financial reports before they are included in reports to external parties.

Description of Cost Allocation Methodology

A. Salaries and Wages

The College maintains auditable records to support salaries and wages charged to federal projects both directly and indirectly. The records are reviewed and signed by someone who can verify that the compensation is reasonable for the time worked.

Costs for release time (including PTO, sick leave, holidays, administrative and other leaves) as permitted by the College's policies are considered part of salaries and wages. These costs are recorded in the same manner as other salary costs.

B. Fringe Benefits

All faculty and staff employee wages and stipends are covered by Social Security, workers' compensation, and unemployment compensation insurance.

Employees working 1,000 hours or more per year are eligible for life and long-term disability (LTD) plans, health plans, and retirement plans as outlined in the Beloit College Staff Handbook and the Administrative Policy Manual, subject to the terms of those plans. Life, LTD, and health plan benefits are calculated on base salary only. Additional faculty stipends calculated as a percentage of base pay, as well as all compensation paid to classified staff, are also eligible for retirement benefits.

Benefits are charged proportionately to the grant/fund/department responsible for the payment. If the grantor does not allow those benefits, they are treated as matching costs.

C. Travel

Travel costs (including airfare, hotels, transportation, and meals) may be charged either as direct or indirect costs depending on the purpose of the trip. Charges for the use of rental and other vehicles from the Security Department are recorded as direct costs.

D. General Office and Lab Supplies / Postage / Telephone / Photocopying / Membership Fees / Clerical Staff / Subscriptions

These are usually treated as indirect costs. However, if the grant has a requirement above and beyond the normal usage, these costs may be directly charged if:

- The grant requires a level beyond that usually provided as part of the department's administration;
- The cost is necessary for the grant and can be accurately assigned;
- The cost is disclosed and justified in the proposal; and
- The grantor accepts the cost.

If the need is identified after the grant is approved and if the College has the authority to rebudget direct costs, the appropriate Vice President may approve the direct charge after receiving a written request that includes an explanation of the unique circumstances for the expense.

Examples of costs that could meet the requirements for an exception include:

- Long distance telephone calls;
- Cell phone in a foreign country for safety purposes;
- Shipping costs;
- Postage for reprints or a large mailing of surveys;
- Supplies used for field work;

- Membership fee required for a subscription to a journal, where the subscription is necessary for the grant; and
- Extensive administrative support necessary when the grant will be paying for the costs of hosting a conference.

E. Supplies and Materials

Supplies and materials (other than general office and lab supplies) are recorded as direct charges to grants.

F. Occupancy

General maintenance and repair costs are treated as indirect charges to federal projects. These costs are allocated based on square footage of buildings.

Utilities are treated as indirect costs of federal projects. They are allocated based on square footage of buildings, with some adjustments for areas with increased usage. For example, a building with a cafeteria would have more utilities allocated to it than if the same square footage was used as a library.

G. Capital Assets and Depreciation

The College records assets in accordance with its capitalization policy and assigns a depreciation period based on the expected useful life of the asset. Capital expenditures are charged directly to programs only in cases where a contract or grant specifically authorizes such charges. The cost of capital items purchased with non-Federal funds is recovered indirectly through depreciation charges.

H. Unallowable Costs

The College follows Circular A-21 in recognizing unallowable costs for federal awards and has internal controls in place to insure that such costs are not charged to those awards. These costs include, but are not limited to: entertainment, alcoholic beverages, lobbying, most advertising costs, bad debt, investment services, fines and penalties, donations, alumni activities, clerical staff, commencement and convocation, some legal costs, fundraising, certain memberships, and student activities.