

# Sponsored Projects Financial Management – FAQs

Welcome to the Research Financial Services LISTSERV series on “Sponsored Projects Financial Management” answering common questions. Sponsored project financial management requires the application of award terms and conditions along with Sponsor, Federal and Institutional policies and procedures. Note underlined sections are hyperlinks for further information.

## Costing Guidelines



**What are costing guidelines?** [Regulations](#) and/or principles applied to determine appropriateness of costs incurred by sponsored projects. These regulations set the standards for consistent application of cost accounting principles. The principles define costs incurred for the same purpose in like circumstances must be treated consistently.

**Who establishes costing guidelines?** The codification of general and permanent rules is published in the Federal Register by the Departments and Agencies of the Federal Government. These can be found in [2 CFR 200](#) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. This section is also referred to as Uniform Guidance or UG.

**Who is responsible?** As stated in BPM E-1-3. everyone has an element of [responsibility](#) for compliance with financial management including costing guidelines. Primary responsibility for application of guidelines with the oversight of research and compliance lies with the Principal Investigator, Department Head and College/Unit Fiscal Officers. University Administration is responsible for the interpretation of guidelines and implementation of internal controls to ensure compliance.

**What encompasses financial management?** Financial management includes compliant, efficient and effective administration of funds. Effective control over, and accountability for all funds, property and other assets and assure they are used solely for authorized purposes and in compliance with Federal, State and Institutional regulations.

**What makes an expense allowable?** An allowable [expense](#) must be relevant or an appropriate cost to perform the scope of work on the project. It must be allocable, reasonable and necessary to perform the scope of work.

**What makes an expense allocable?** [Goods](#) or services chargeable or assignable to perform the scope of work on the project. It must benefit the project. The process of assigning a cost to one or more cost object in reasonable distribution to the benefit of the project.

**What makes an expense reasonable?** [Goods](#) or services acquired exhibit the essential action to perform the scope of work on the project. Cost should be ordinary and priced comparable to other goods or services. Purchaser must act with due prudence in the decision to incur the cost.

**What makes an expense necessary?** Essential goods or services required to perform the scope of work on the project. The scope of work could not be accomplished without the goods or service.

**What makes an expense unallowable?** [A minimum](#) of one violation can deem an expense unallowable. It can be due to improper application of costing guidelines, Sponsor or Federal limitations, unnecessary, unreasonable and/or not allocable, or inconsistent application with policies and procedures. Failure to retain adequate documentation to support an expense is allocable, reasonable and necessary can cause the expense to be deemed unallowable. Costing violations identified during an audit or financial review can also lead to unallowable costs.

**What happens when costing guidelines are not followed?** Expenses are subject to removal from grant funding, Departments could lose funding opportunities, the Institution could lose funding opportunities, and the Department and Institution could be fined.

**Additional Resources:**

- RFS: <https://www.uky.edu/ufs/research-financial-services>
- OSPA: <https://www.research.uky.edu/office-sponsored-projects-administration>
- BPM: <https://www.uky.edu/ufs/business-procedures-manual>
- Sponsored Project Bits & Pieces Presentations: <http://www.uky.edu/ufs/sponsored-projects-bits-pieces-presentations>
- UG: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

