

## Key Definitions

**2 CFR 200:** *Title 2, Code of Federal Regulations, Part 200 (2 CFR 200)* contains the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award. Also known as Uniform Guidance, 2 CFR 200 is the federal regulation that provides authoritative, all-encompassing rules that govern federal awards, which are predominantly grants and cooperative agreements.

**Allocation Methods:** the method using to allocate costs.

- **Direct Labor:** direct personnel costs that are allocable to a fund source.
- **Square Footage:** method for allocating indirect costs based on square footage.

**Allowable costs:** is a cost that can be paid by the federal funding via contract or award. A cost is allowable only if: The cost is reasonable; it reflects what a prudent person might pay. The cost is allocable; the contract or grant that paid the expense benefits from it.

### [§ 200.403 Factors affecting allowability of costs.](#)

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) 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 a prior period. See also [§ 200.306\(b\)](#).
- (g) Be adequately documented. See also [§§ 200.300](#) through [200.309 of this part](#).

(h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to [§ 200.308\(e\)\(3\)](#).

**Cognizant agency:** is the agency whose funds comprise the greatest percentage of federal grant funds received by the subrecipient. This will also be the agency that approves the cost allocation plan or indirect cost rate proposal (ICRP) on behalf of all other funding agencies.

For assignments of federal cognizant agencies see the following:

- (1) For Institutions of Higher Education (IHEs): Appendix III to this part, paragraph C.11.
- (2) For nonprofit organizations: Appendix IV to this part, paragraph C.2.a.
- (3) For State and local governments: Appendix V to this part, paragraph F.1.
- (4) For Indian tribes: Appendix VII to this part, paragraph D.1.

**Cost Allocation Plan:** is an accounting report that calculates the agency-wide indirect costs to departments and funds that receive services from another department.

**Direct cost:** one “that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy

**Indirect (Facilities and administrative (F&A)) Costs:** those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

**Modified Total Direct Costs:** means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

**Shared Costs:** when two or more agencies or funding streams pay the cost of something together.