

Sponsored Programs Process for Determining Allowable Costs, Budget Restrictions/Prior Approval and the Need for Budget Modifications

Purpose: These guidelines provide a best practice for determining the allowability of costs on sponsored projects as well as when an external budget modification is needed.

1st Step - Test for Allowability

Review the [Allowable and Unallowable Direct Costs](#) matrix to determine if the cost is allowable on a sponsored project.

If the cost is not allowable, STOP. Sponsored Programs Accounting will disapprove the expenditure as the cost can't be charged to the sponsored project.

If the cost is allowable, proceed to the 2nd step.

2nd Step - Sponsor Award Terms and Conditions

Review the terms and conditions of the award for allowability and budget restrictions/prior approval requirements.

If the cost is not allowable per the terms and conditions, STOP. Sponsored Programs Accounting will disapprove the expenditure as the cost can't be charged to the sponsored project.

If the cost is allowable per the terms and conditions but the award has budget restrictions defined by the sponsor, these restrictions must be followed.

If the budget restrictions will be exceeded, a budget modification is required and prior approval must be requested from the sponsor. The PI needs to complete a Request for Modification form (RFM) and submit the completed RFM to spo-l@mtu.edu.

If the budget restrictions will not be exceeded or the award does not have budget restrictions, proceed to the 3rd step.

3rd Step - Budget Review Guidelines

If the cost is allowable per the Allowable and Unallowable Direct Costs matrix, the terms & conditions of the award, and there are no budget restrictions defined by the sponsor, Michigan Tech is still responsible for performing our due diligence in monitoring the expenditures by category and limits as defined in the chart below.

If the anticipated expenditures will exceed the original budget category by the percent referenced in the chart, the Sponsored Programs accountant and analyst will work together to determine whether or not further action is required before the expenditure can be approved.

	Federal & Federal Pass Thru Grants, Contracts & Coop Agreements	State of Michigan & State of Michigan Pass Thru Grants & Contracts	Industry	"Other" Sponsors
Salaries & Wages (Including Fringe Benefits)	Yes if > 25%	Yes if > 25%	No	No
Equipment	Yes if > 25% *	Yes if > 25% *	No	No
Travel	No	Yes if > 25%	No	No
Subcontracts and External Service Agreements	Yes	Yes	Yes	Yes
Supplies, Services & Other	No	Yes if > 25%	No	No
Tuition	Yes if > 25%	Yes if > 25%	No	No

Yes = determination to be made by SP accountant and analyst if further action is required. "Yes if >25%" means if the original budget category is exceeded by > 25% a determination is required. This also means if the original budgeted amount for a category is \$0, any expenditure to this category will require a determination.

No = the expenditure is allowable and can be approved without further action.

* In many cases, equipment purchases must be approved in advance by the awarding agency.