



Sponsored Programs Administration Handbook Case Study Topic: Allocation of Costs to Multiple Projects

Proportional Benefit for Other Costs that Directly Benefit Two or More Sponsored Projects

Example:

A PI has three federally funded sponsored projects. Since they are closely related, all three projects require the same types of supplies (e.g., enzymes, proteins, chemicals, glassware).

The PI stocks their lab with these laboratory supplies periodically so that all projects can be carried out in the most efficient manner.

Question:

How should the costs of the laboratory supplies be allocated to the three projects?

Answer:

The laboratory supplies meet the criteria of **allowable direct costs** and benefit two or more sponsored projects. Without undue effort or administrative expense, a proportional distribution of the cost can be devised. For the sponsored projects in question, the cost distribution must reflect *reasonably*, the “proportional benefit” distribution of the supplies used for each project.

The P.I. must approve the use of proportional benefit and the method of its use. There are a couple of allocation methods in this instance that could apply:

- Laboratory supplies are distributed in proportions that reflect the PI’s best judgment, reflecting the benefit of the cost to each of the sponsored projects (e.g., the number of tests that were performed);
- Distribution of the laboratory supplies in proportions to salaries and wages ratios of the total awards of all sponsored agreements that benefit from the supplies. This is appropriate when the use of supplies among all projects is consistent.

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Proportional Benefit for Compensation Costs

Example:

A PI has submitted a large proposal to NSF. The proposal requires cost sharing from the University and funding from a private sponsor. The PI developed a solution that salaries and benefits will be funded as follows:

- 60% from NSF
- 20% from the University
- 20% from a privately sponsored project

Question:

Can these payroll distributions meet the allocation requirements?

Answer:

Since all three funds are dedicated to one project, a PI can track the team's effort "as one project" and distribute salaries and benefits in accordance with the above ratios:

- The NSF project should be charged 60%.
- The 20% from the University should be captured in a **cost share program**.
- The remaining 20% should be charged to the private sponsored project.

However, tracking of his team's effort must reflect an after-the-fact reporting of the percentage distribution of activity of employees so that costs distributed represent actual costs. Reports should reasonably reflect the activities for which employees are compensated by the institution. For further information of effort reporting, see *Effort Reporting Policy for Sponsored Programs*.