Introduction

Goods and Services purchased by Boston College under a sponsored award may often benefit more than one award. Such costs must be allocated to sponsored awards in proportion to the actual benefit received by the awards. If one is unable to determine how much of the goods or services are actually used for each award, an allocation methodology must be developed that reasonably estimates the actual benefit to each award. Costs are then distributed to each benefiting sponsored award using the allocation methodology.

In order to be in compliance with OMB Circular A-21 and to provide guidance to department administrators and Principal Investigators (PI), the Boston College Office for Sponsored Programs (OSP) has recommended methodologies for allocating costs to more than one sponsored award.

It is important to note that any costs allocable to a particular sponsored award may not be shifted to other awards based on budget funds available. Furthermore, cost cannot be shifted to avoid restrictions imposed by law, terms of the sponsored award, or for other reasons of convenience. General administrative supplies and other items are not eligible for allocation as they are already included in the Facilities and Administrative (F&A) rate.

OMB Circular A-21 provides two methods for allocating an allowable direct cost to two or more grants:

The Proportional Benefit Rule

The proportional benefit rule applies when it is possible to determine the proportional benefit of the cost to each project. The cost is allocated according to the proportion of benefit provided to each of the projects.
The Interrelationship Rule

The interrelationship rule applies when it is not possible to determine the proportional benefit to each project because of the interrelationship of the work involved. The cost is distributed on any reasonable and rational basis because the proportional benefit cannot be identified and applied to the individual projects.

Methodologies supported by the Office for Sponsored Programs at Boston College:

- Allocation based on the Modified Total Direct Costs (excluding sub-awards) Obligated to date Budget (MTDC) of benefiting sponsored projects
- Allocation based upon usage.
  - The cost of lab supplies allocated based upon the quantity used on each project.
- Allocation based upon number of experiments.
  - The cost of syringes allocated based upon the number of experiments performed on each project.

Department Responsibility

- to work with their PI(s) to determine an appropriate methodology (OSP will have final approval),
- to document the methodology, and
- to retain all supporting documentation of the methodology, including how the allocation method is logically related to the cost being allocated, for future review and reference.

Allocation methodology “Do’s and Don’ts”

- Don't use allocation methodologies that result in an over- or under-recovery of expense. An over-recovery of expense may result in a refund to the sponsor. An under-recovery may need to be funded by the department.
- Don’t use any allocation methodology that is based on the funds available on sponsored awards.
- Do ensure that the interrelationship allocation methodologies are documented contemporaneously with the cost being incurred and allocated.
• **Do** document how measures such as MTDC logically relate to the cost being allocated and the benefit received by the awards.

• **Do** retain the supporting documentation in the department so it is available for review and audit.

• **Do** review allocation methodologies periodically to ensure they are reasonable. Methodologies based on sampling, surveys, etc., should be reviewed, updated and approved by the PI at least once each fiscal year and/or when new awards are received and awards expire.

• **Do** identify the allocation method that will be used in advance of purchasing or at the time of ordering the goods/services whenever possible (to avoid the need for cost transfers).