

Sponsored Program Direct and Indirect Costing Policy

A critical responsibility in the post award administration of sponsored projects is to ensure that all costs charged are ALLOWABLE, ALLOCABLE and REASONABLE under the approved budget and the cost principles of the sponsor for a specific type of grant or contract.

THE FUNDAMENTAL RULE OF ALLOWABILITY: Costs must be related to the specific activities supported by the sponsored project and must not be expressly prohibited by the sponsor.

FOUR TESTS OF ALLOWABILITY: An allowable cost must pass all four tests, otherwise it is unallowable.

The cost must:

- Be reasonable
 - A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. (2 CFR Part 200, Uniform Guidance)
- Be allocable
 - A cost is allocable...if the goods or services involved are chargeable or assignable to such cost objective in accordance with the relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a sponsored agreement if:
 - It is incurred solely to advance the work under the sponsored agreement
 - It benefits both the sponsored agreement and the other work of the institution, in proportions that can be approximated through use of reasonable methods, or
 - It is necessary to the overall operation of the institution and, in light of the principles provided in the Circular, is deemed to be assignable in part to sponsored projects. (2 CFR Part 200, Uniform Guidance)
- Be consistently treated
 - A cost is consistently treated if the sponsored agreement is treated in the same manner as would cost charged to other institutional activities. This means that generally accepted accounting principles appropriate to the circumstances must be applied.
- Conform to any limitations or exclusions in the sponsored agreement
 - Conforming costs refers to special restrictions placed on the grant award. A cost may pass the first three tests but remain unallowable simply because the sponsored agreement or contract says it is.

F&A costs are defined in CFR 2 Part §200.420 as **costs** that are "incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity." **F&A costs** are sometimes referred to as **indirect costs**

Below are example of similar cost that can be charged directly or attributed to Indirect Costs depending on the purposes and whether or not it can be directly tied to the sponsored project:

Direct Costs	Indirect Costs
(Allowable as Budgeted Items)	(Not Allowable as Direct Costs on Project)
Salaries/Wages & Fringe Benefits:	Salaries/Wages & Fringe Benefits:
Faculty, other professionals, technicians, post doc associates, research associates, graduate and undergraduate students.	Clerical and administrative assistants, department manager and financial assistants, secretaries, and directors.
Materials and Supplies:	Office Supplies
Project related material and research and scientific supplies. Any equipment or software that does not qualify under the equipment definition. Software costing less than \$100,000 is not considered capital equipment.	Pens, pencils, paper, staples, transparencies, toner cartridges, diskettes, printer paper, word processing and spreadsheet programs. Books and journals generally should be provide as part of normal library services and treated as F&A costs.
Equipment:	Equipment:
Equipment used for scientific, technical, and research purposes that costs greater than \$5,000 and has a useful life of at least one year.	General office equipment such as copiers, printers, office computers, and fax machines.
Facilities:	Facilities:
Project specific space <i>rental for off-campus</i> facilities from a third party. Use of specialized equipment for which there is a commonly applied charge.	Utilities, building use, grounds maintenance, renovations, and alterations of University property whether, on- or off-campus.
Travel:	Travel:
Transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution related to the project.	Costs of entertainment, and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities).
Telephone:	Telephone:
Long distance calls, phone surveys or calls to project participants.	Local calls, cell phones, installation and maintenance.
Maintenance & Repairs:	Maintenance & Repairs:
Requires justification that the expenditures are required and directly related to the specific award (e.g., less expensive than buying new).	Maintenance and repairs to general purpose equipment, buildings, and grounds
Advertising:	Advertising:
Recruitment of research subjects or of personnel for job openings approved for a specific project. The procurement of goods and service for the project and payment for program outreach necessary for the project.	Public relations to promote unit/department/college.
Publications:	Publications:
Project specific and project related. Copying included only when charges can be tracked and documented.	General printing and copying.

Memberships, subscriptions and professional activity:	Memberships, subscriptions and professional activity:
Membership in business, technical, and professional organizations related to and supportive of the project. Subscriptions to business, professional, and technical periodicals related to and supportive of project	Membership in any civic or community organization, country club or social/dining club or organization
Freight/express deliveries and Postage:	Freight/express deliveries and Postage:
Justification required that cost needed to transport project material in a timely way.	Routine or internal courier costs.
Consulting:	Consulting:
Project specific	General, management, financial
Miscellaneous Costs:	Miscellaneous Costs:
Subcontract costs, recharge center charges, and training costs necessary for the project.	Computer network charges and utilities.
Participant Support Costs:	
Allowed only with prior written approval of the funding agency, and provided they are programmatically justified	

EXPENSES NOT CHARGEABLE TO THE FEDERAL GOVERNMENT

9901 ADVERTISING AND PUBLIC RELATIONS

Unallowable unless required for performance of obligations under sponsored agreement.

9902 ALCOHOLIC BEVERAGES

Unallowable.

9903 ALUMNI ACTIVITIES Unallowable.

9904 9904 BAD DEBTS Unallowable.

9905 CIVIL DEFENSE

Capital expenditures for any civil defense project, and Operating expenses for projects not located on campus are unallowable.

9906 COMMENCEMENT & CONVOCATION

Unallowable.

9908 PENSION COSTS

Increases in costs due to funding delays, late payments on termination insurance, excise taxes on accumulated -deficiencies, and prohibited transactions are unallowable. 9909

INSTITUTION FURNISHED AUTOMOBILES

Personal use of vehicle including travel to and from work is unallowable.

9910 CONTINGENCY PROVISION

Contributions to a contingency reserve are unallowable.

9911 DEFENSE AND PROSECUTION OF CRIMINAL AND CIVIL PROCEEDINGS, CLAIMS, APPEALS AND PATENT INFRINGEMENT

Unless allowed by special agreement, the costs of proceedings initiated by any government, related to the violation of regulations, where the result is conviction or institutional liability is unallowable. Costs of all other types of litigation, related costs and payment of claims are unallowable unless specific provision is made in the sponsored agreement.

9912 DONATIONS AND CONTRIBUTIONS

All donation and contributions are unallowable except those donated to meet cost share or matching requirements. Note that depreciation or use allowance on-donated services and property is allowable.

9913 ENTERTAINMENT COSTS

Unallowable.

9914 FINES AND PENALTIES

Unallowable unless incurred as a result of compliance with the provisions of a sponsored agreement or with written instructions from the sponsoring agency.

9915 GOODS AND SERVICES FOR PERSONAL USE

Unallowable.

9916 HOUSING AND PERSONAL LIVING EXPENSES

Unallowable.

9917 INSURANCE AND INDEMNIFICATION

Costs of insurance covering government property are not allowable unless required or approved. Actual losses which could have been covered, but were not, are also unallowable. In addition, costs to insure against defects in., the institution's materials or workmanship are unallowable. 9918 INTEREST Unallowable. 9919 FUND RAISING Unallowable.

9920 INVESTMENT MANAGEMENT

Unallowable. 9921

LOBBYING

Unallowable.

9922 MEMBERSHIP COSTS

Costs of membership or publications of civic, community or social organizations are unallowable.

9923 PREAGREEMENT COSTS

Unallowable unless approved by the sponsoring agency.

9924 RECRUITING COSTS

Unreasonable or excessive advertising costs which exceed standard recruiting practices are unallowable. Relocation costs must be refunded if the employee resigns for reasons within his/her control within one year.

9925 SELLING AND MARKETING Unallowable.

9926 SEVERANCE PAY

Costs in excess of the normal severance pay policy are unallowable. 9927

STUDENT ACTIVITY COSTS

Unallowable unless specifically provided for in the sponsored agreement.

9928 TRAVEL COSTS

Airfare in excess of lowest available rate except in cases of non-availability or lack of a reasonable alternative is unallowable.

9929 TRUSTEES TRAVEL AND SUSISTENCE

Unallowable.

ALLOWABLE COSTS – NATIONAL INSTITUTES OF HEALTH

The following are highlights from the NIH Grants Policy Statement.

Advertising: Allowable only for recruitment of staff trainees, or research subjects, procurement of goods and services, disposal of scrap or surplus materials, and other specific purpose (as indicated in the terms of the award) necessary to meet the requirements of the grant supported project or activity.

Alcoholic Beverages: Not allowable

Alterations & Renovations: Alteration and renovation is defined as work required to change the interior arrangements or other physical characteristics of an existing facility or installed equipment so that it may be more effectively utilized for its currently designated purpose or adapted to an alternative use to meet a programmatic requirement. New construction is unallowable unless specifically authorized. Other A&R costs are subject to many limitations and restrictions. Please refer to NIH manual or contact OSPA.

Animals: Allowable for acquisition, care and use of experimental animals.

Audiovisual Activities: Allowable. Prior approval required if the cost of any single audiovisual, including reported non-federal share, that exceeds or is expected to exceed \$25,000. Consult PHS manual for additional requirements.

Bad Debts: Not allowable.

Books and Periodicals: Allowable as a direct cost when required for the conduct of the project. Where an institution has a library, books and periodicals should generally be provided as normal library service and treated as indirect costs.

Communications: Allowable as direct costs incurred for local and long distance telephone calls, telephone surveys, telegrams, postage, etc. but only when they can be specifically identified to the project and are consistently treated as direct costs.

Conference Grant Costs: Allowable

Construction Services: Allowable only when the program legislation includes specific authority to construct facilities.

Consultant Services: Allowable. A consultant is an individual hired to give professional advice or services for a fee but not as an employee of the hiring party. Consulting fees paid to a salaried member of the faculty are allowable only in unusual cases. Each sponsor may have a maximum allowable rate.

Consumer Provider Board Participation: Allowable in accordance with specific program regulations.

Donor Costs: Allowable for payment to volunteers or research subjects who contribute blood, urine samples, and other body fluids or tissues that are specifically project related.

Drugs: Allowable with restrictions and limitations.

Dues: Allowable for organizational membership in professional organizations or societies if it can be shown that such membership is necessary to accomplish the objectives of the project.

Entertainment: Not allowable. See meals section for potential project relatedness.

Equipment: Allowable when specifically allocable to the project. General-purpose equipment (office furniture) is generally not allowable.

Fund Raising: Not allowable.

Insurance: Allowable when required because of the special risks peculiar to the project. Insurance is usually treated as an indirect cost.

Interest: Not allowable unless specifically authorized.

Land or Building Acquisition: Not allowable unless specifically authorized.

Library and Information Services: Generally allowable when specifically required for the conduct of the project and identifiable as an integral part of the grant. Usually treated as indirect cost.

Lobbying generally: Not allowable.

Meals: Allowable, if business conducted relates directly to the project and is reasonable, but not for purposes of entertainment.

Patient Care: Allowable to provide routine and ancillary medical services on either an inpatient or outpatient basis if the recipient has obtained prior approval from PHS.

Publications: Allowable, only if project related.

Page charges: Allowable with conditions.

Other Publication Costs: Such as publications, books, monographs, and pamphlets are allowable. The cost of a single expenditure may not exceed \$25,000. Costs exceeding \$25,000 require prior approval.

Recruitment: Allowable subject to conditions and restrictions. These costs include help wanted advertising cost, travel costs to pre employment interviews incurred by applicants, and travel costs

of employees while engaged in recruiting personnel. Project funds may not be used for a prospective trainee's travel costs to or from the grantee institution for the purpose of recruitment. However, other costs incurred in connection with recruitment under training grants may be allocated to a grant.

Relocation: Allowable in other than change of grantee institution situations when such costs are incurred incident to their permanent change of duty assignment (no less than 12 months) for an existing employee working on a grant or a new employee with restrictions. **Rental or Lease of Facilities or Equipment:** Allowable with prior approval.

Salaries and Wages: Allowable. These costs are allowable to the extent that they are reasonable and conform to the established, consistently applied policy of the organization, and reflect no more than the percentage of time actually devoted to the PHS funded project. Charges for work performed by faculty members on sponsored research agreements during the summer months or other period not included in the base salary will be determined for each faculty member at a rate not exceeding the base salary divided by the period to which the base salary relates. **Alternate Use of Salary support Due to Receipt of a Research (Career Scientist) Development Award:** Grant Funds awarded under a PHS grant for an individual's salary but which are no longer required for that purpose as the result of the transfer of that individual's salary to a RCDA may not be used for any other purpose without prior approval.

Overtime Premiums: Generally allowable, but not for faculty and with limitations for the employees.

Compensation of Students: Tuition remission and other forms of compensation paid as, or in lieu of, wages to students (including fellows and trainees) performing necessary work are allowable provided that:

- 1). There is a bona fide employer employee relationship between and the student and the institution for the work performed.
- 2). The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work.
- 3). It is the institution's practice to similarly compensate students in non-sponsored as well as sponsored activities. **Supplies:** Allowable.

Trainee Costs: Allowable under pre doctoral and postdoctoral training grants if permitted by authorizing statute or governing programmatic regulations. For each individual to be trained, such costs include a stipend and tuition and fees, including the costs of medical insurance required of a trainee as a condition of his or her participation in the training program and required of all students of similar standing, regardless of the source of funding which are directly associated with and necessary to the individual's training and are incurred within the period of grant supported training. Grantee institutions may rebudget funds into or within the trainee cost category (stipends, tuition, and fees including medical insurance), but may not rebudget funds awarded for trainee costs into another budget category without prior approval. Trainee travel is not considered a trainee cost. Travel to meetings is allowable. Travel between the trainee's or fellow's place of residence and the training site, except in specialized programs, are unallowable.

Travel: Allowable as a direct cost where such travel provides direct benefit to the project. travel costs are limited to that allowed by the University travel policy. In case of air travel, less than first class travel must be used when available.

U.S. flag air carriers must be used to the maximum extent and shall not be influenced by factors of cost, convenience or personal travel preference.

Note: refer to NIH Grants Policy Statement, or related sponsor guidelines for further clarification or detail regarding restrictions.