

## Oklahoma State University Policy and Procedures

<b>COSTING PRACTICES FOR SPONSORED RESEARCH AND SERVICE PROJECTS</b>	<b>4-0135 BUSINESS &amp; EXTERNAL RELATIONS CONTROLLER September 2010</b>
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### INTRODUCTION

1.01 Due to OSU's involvement with federal contracts exceeding \$25 million, OSU's costing practices for sponsored agreements and contracts must comply with Cost Accounting Standards (CAS). In July 1993, the Office of Management and Budget (OMB) issued a number of revisions to OMB 2 CFR 220\*, *Cost Principles for Educational Institutions*, to be effective for fiscal years beginning on or after January 1, 1994. \*(OMB Circular A-21 was relocated to 2 CFR 220 in August 2005).

2 CFR 220 establishes principles for determining costs applicable to sponsored agreements, contracts, and other agreements with educational institutions. The 1993 revisions affect not only the establishment of indirect cost rates, but also the way in which direct costs are charged to sponsored programs. Unless otherwise specified by the sponsoring agency, the revisions to **2 CFR 220 must be implemented for all sponsored programs at Oklahoma State University (OSU), regardless of whether they are funded by private, state, or federal agencies.** [References: 2 CFR 220, Appendix A, §D.1., and §F.6.b]

#### 1.02 General Guidelines and Definitions

##### A. Factors Affecting Allowability of Costs

1. Cost should be **reasonable**. A cost is considered reasonable if the nature of the goods or services acquired or applied and the amount involved 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. Costs should be **allocable** to sponsored agreements under the principles and methods of 2 CFR 220. A cost is allocable to a particular sponsored project if the goods or services involved are chargeable or assignable to the project in accordance with the relative benefits received.
3. CAS and 2 CFR 220 emphasize the importance of **consistent application of cost accounting principles**. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where the University treats a particular type of cost as a direct cost on sponsored agreements, all costs incurred for the same purpose in like circumstances must be treated as direct costs for all activities of the institution. Consistent treatment of costs is necessary to avoid inappropriate charges to the

federal government or other sponsors for sponsored agreements when sponsored agreements are charged directly for specified costs, then charged again through the University's indirect cost rate.

B. Effective Date of Application of Policy

Implementation of this OSU policy is effective July 1, 1996. These costing practices will apply to all proposals submitted on July 1, 1996, and thereafter.

C. Responsibility for Compliance

Responsibility for following this policy **lies primarily with Principal Investigators (P.I.'s) of sponsored projects, department heads, and college/unit fiscal officers** by providing guidance and oversight of research units. The University administration is responsible for guidance and training, and for ensuring compliance through periodic internal and external audits.

D. Applicability of This Policy

This policy **applies to all sponsored agreements** whether sponsored by an external agency or industry or funded by the University (i.e., university research). Refer to OSU Policy & Procedures Letter, *Classifying Accounts as Organized Research Under 2 CFR 220*, for more complete definitions of "organized research," "university research," and "departmental research."

**"University research"** refers to all research and development activities that are both separately budgeted and accounted for by the University under an internal application of the State appropriated funds. In order for an internally funded research activity to be classified as "university research," a project must include the following: i) segregated research scope, ii) a technical proposal, iii) a budget proposal, iv) a peer review process, v) awarding of the funds, and vi) submission of a technical report or an exit interview with the dean or department head. The amounts expended as cost sharing for an externally funded research project are also classified as "university research."

The amounts expended for start-up, seed money, bid, and proposal are classified as **"departmental research."** An account which is set up to provide faculty with funds for release time to further academic knowledge may be included in the category of "departmental research." The salaries of some faculty, while "separately budgeted," should not automatically be considered organized research. Instead, like other professorial salaries, they should be allocated to organized research, departmental research, instruction, extension, and other activities based on the functions performed by the faculty member as the University has **accounted for** them based on time and effort reporting.

Each department in which sponsored agreement activity occurs must follow the costing practices as described in this policy statement. Any exceptions to this policy should be documented by the department and approved by GCFA.

## **DIRECT COSTS**

2.01 The primary direct cost functions of Oklahoma State University are Instruction, Research, Public Service (Extension), and Other Institutional Activities. Costs incurred to support these activities, such as salaries and wages, fringe benefits, materials and supplies, travel, subcontracts, equipment, specialized service center charges, and other operating expenses are treated as direct costs and identified through specific identification of the individual costs to the benefiting projects and activities, as appropriate under the circumstances. If a direct cost benefits two or more sponsored agreements/projects, 2 CFR 220 provides standards for their allocation across these sponsored agreements. Refer to 4.01 and 4.02 in this policy for more detail on allocation across sponsored agreements.

**2 CFR 220, *Cost Principles for Educational Institutions***, is the basis used to determine the procedures used for identification of direct costs by functions to benefiting projects and activities applicable to sponsored, cost sharing, and institutionally supported projects and activities. Identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of sponsored agreements, provided that such costs are consistently treated, in like circumstances, as direct rather than indirect costs. Committed cost sharing expenses are separately budgeted and accounted for in the accounting records and included in the appropriate direct cost bases by function. Refer to OSU Policy & Procedures Letter 1-0113, *Cost Sharing in Sponsored Research and Service Projects*.

Direct charges to a sponsored agreement should support the sponsored agreement's purpose and activity and are those costs that are necessary to meet the project's scientific and technical requirements. Such charges cannot be assigned arbitrarily, or for the purpose of simplified budget management that is unrelated to the sponsored agreement's purpose. Direct charges to sponsored agreements are expected to adhere to the sponsor's restrictions in the Notice of Award and budget and support the sponsor's programmatic intent.

### 2.02 Acceptable Direct Costs

Examples of acceptable direct costs that meet 2 CFR 220 requirements cited above and "identifiable to a particular cost objective" [Appendix A, §F6b] are listed on **EXHIBIT 1.A**.

Items such as salaries of administrative and clerical staff, office supplies, postage, local telephone costs (including monthly service charges), and membership dues are **normally** treated as indirect costs. However, for **special purposes and circumstances**, costs that are normally indirect may be directly charged if certain conditions are met. Refer to 3.01 and 3.02 in this policy for further information.

### 2.03 Documentation of Direct Costs

- A. The **cost must be identified with activity in the sponsored agreement** to which the cost is charged.

For example:

1. Long distance telephone and fax costs should be linked to the sponsored agreement by means of a log or agreement-specific access code.
  2. Purchases for a specific sponsored agreement must identify the grant's account number on the invoice, requisition, purchase order, or other payment document.
  3. Supplies drawn from a central storeroom or inventory must be charged directly to a sponsored agreement if their applicability to the sponsored agreement is recorded at the time of withdrawal (e.g., by means of a log). All such costs must be charged to sponsored agreements based on anticipated usage at the time of withdrawal.
  4. Services purchased from stores and services should be charged directly to the sponsored agreement under the guidelines stipulated in 2.03 a.(3).
- B. **Documentation** that links the cost incurred to the sponsored agreement activity should be done **by someone who is in a position to know the sponsored agreement activity**; e.g., the person who is making the telephone call or the person taking supplies from a common storeroom or stores and service.
- C. **Documentation must be maintained for a period of three years** following the date the final report is submitted for the sponsored project.
- D. Only **actual costs** may be charged to the sponsored agreement.

#### 2.04 Unacceptable Direct Costing Practices

The following direct costing practices are unacceptable because they do not meet 2 CFR 220's standard for a "high degree of accuracy" in the assignment of costs to sponsored agreements:

- A. **Rotation of charges among sponsored agreements** by month without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored agreement;
- B. **Assigning charges to sponsored agreement with largest remaining balance**;
- C. **Charging the budgeted amount** (in contrast to charging an amount based on actual usage);
- D. **Assigning charges to a sponsored agreement in advance** of the time the actual cost is incurred;
- E. **Identifying a cost as something other than what it actually is**;
- F. **Charging expenses exclusively to sponsored agreements** when the expense has supported nonsponsored agreement activities;

- G. **Assigning charges that are part of normal administrative support** (indirect costs) for sponsored agreements (e.g., accounting, payroll). Refer to 3.01 on **INDIRECT COSTS [Facilities and Administrative (F&A) Costs]** in this policy.

### **INDIRECT COSTS [Facilities and Administrative (F&A) Costs]**

3.01 Indirect costs are those that are incurred for common or joint activities of the University and, therefore, cannot be identified readily and specifically with a particular sponsored project, instructional activity, or any other University activity.

Expenses incurred for general departmental and institutional business include charges for administrative and clerical salaries, related fringe benefits, office supplies, postage, telecommunications (including local telephone charges), equipment, and other general costs. Costs incurred for administrative and support services that benefit departmental activities and costs incurred by separate departments and organizations established primarily to administer sponsored projects are identified separately as cost subcodes and by state object code in the accounting records and recognized as indirect expenses.

In instances where sponsored projects require administrative and clerical support, office supplies, postage, and telecommunications (expenses similar to the charges identified normally as administrative costs), such costs may be charged to sponsored agreements as direct costs when ALL of the following conditions are met:

- A. The costs are **required by the project scope due to the project's special purpose or circumstance** (refer to 3.02 in this policy);
- B. The costs can be readily **identified specifically** with the project **with a high degree of accuracy**; and
- C. The items of costs are **separately budgeted for**, justified, and approved by the sponsoring agency.

3.02 Special Purposes or Circumstances Where Direct Charging of Costs Normally Treated as Indirect Costs May be Appropriate

The “**special purpose or circumstance**” of the sponsored agreement that necessitates the direct charging of costs that are normally considered to be indirect costs should be stated in the “Statement of Work” section of the proposal/acceptance document. The budget page should include a footnote with reference to the “special purpose or circumstance” that applies to the sponsored project.

The need to charge administrative and clerical support costs as direct charges to a sponsored project may occur for projects that involve the following special purpose or circumstance:

- A. **Private sponsored agreements** that are proposed and awarded for a different purpose than federal agreements--the work proposed and performed in part is for the benefit of the industrial/commercial sponsor and the University. The sponsor's concern is with total costs and not whether the costs are direct or indirect. Private sponsors include private industry, commercial sponsors, foundations, and nonprofit agencies or associations.
- B. **State sponsored agreements** that have restrictions on the types of costs that are direct or indirect--such agreements would constitute a different circumstance than costs incurred under federal agreements. OSU must comply with State agency regulations and statutory requirements. Consequently, costs normally treated as indirect could be treated as direct provided that they are reasonable, specifically identified with the sponsored agreement, and included in the award budget.
- C. **USDA** (United States Department of Agriculture) – Specific USDA agreements that fund indirect costs at the agency mandated rate based on Total Direct Costs (TDC)--the USDA program and legislative mandates have limited the institution's indirect cost recovery rate to a flat rate, and the program requirements support the concept of direct charging. The agency mandated rate is subject to revision by the USDA annually. The USDA approves specific line item budgets.
- D. **Training Grants**--since they are for a different purpose (training) than a traditional research project, these project budgets may include costs that are normally considered to be indirect costs. Training grants usually identify a line item budget for "institutional allowance" which authorizes direct charging of normally treated indirect costs as appropriate if they are reasonable, specifically identified with the project, and budgeted in the award.
- E. **Planning Grants**--since they are for a different purpose (planning) than a traditional research project, these project budgets may include costs that are normally considered to be indirect costs. Research planning grants may be used for preliminary work to determine the feasibility of a proposed line of inquiry and/or for other activities that will facilitate proposal development. For these types of agreements, the federal agency will fund indirect costs at a specified percentage.
- F. **Projects that are geographically inaccessible** to normal departmental administrative services (i.e., a project that takes place in site(s) that is/are remote from the main campus).
- G. Projects that require **making travel and meeting arrangements** (conferences and seminars) for large numbers of participants.
- H. **Large, complex programs**, such as EPSCoR (Experimental Program to Stimulate Competitive Research), program projects (e.g., Eglin and NASA), environmental research centers, engineering research centers, and other sponsored agreements and

contracts that entail assembling and managing teams of investigators from a number of institutions.

- I. Projects which involve **extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting**. For example, if a project requires **substantial mailing expenses** in the performance of the project activities or technical work, postage should be charged as a direct cost of the project.
- J. Projects whose principal focus includes the **preparation and production of manuals, long reports, books and monographs** (excluding routine progress and technical reports).
- K. Individual projects requiring **project-specific database management, individualized graphics or manuscript preparation, human or animal protocol, IRB preparations and/or other project-specific regulatory protocols**, and multiple project-related investigator coordination and communications. If these types of activities are **NOT** being performed by other individuals whose salaries are charged indirectly, then administrative and clerical salaries of the individuals performing these activities could be charged directly to an individual project. Work must be specifically identified to the project, and the effort funded by the sponsor would also have to be met (at least 15% of FTE effort for this type of project).

### 3.03 Sponsoring Agency Approval

In order to meet the criteria shown in 3.01 and 3.02 and charge salaries of administrative and clerical staff or other costs (normally treated as indirect costs) directly to a sponsored program, the project proposal budget is required to identify specifically the administrative and clerical salaries and/or other costs which are requested. **These costs must be justified or explained in the proposal/award narrative and in a footnote to the project budget.** Since these items are specifically set forth in the proposal, we assume that the sponsoring agency has approved this exceptional treatment of administrative and clerical salaries or other costs if they accept the proposal and subsequently fund the project. It is the principal investigator's responsibility to notify the college/unit Research Director of any changes made to the proposed budget in preaward negotiation with the sponsor in which the University did not participate.

Further, if a proposal and award has not specifically identified a direct charge requirement for administrative or clerical support or other costs, the university is not allowed to rebudget approved funding into these categories unless specific written approval has been received from the sponsoring agency.

### 3.04 Charging Salaries of Administrative and Clerical Staff

#### **Three-Step Test for Allowing Direct Charging of Administrative and Clerical Salaries**

- A. **The costs are incurred to meet the special purpose or circumstances of the sponsored agreement:**

1. A special purpose or circumstance of the project exists such as those listed in 3.02 of this policy;
  2. It must be a realistic reflection, through appropriate documentation, of planned or actual effort; **and**
  3. It must be identified in the sponsored agreement budget, fully justified, and approved by the granting agency.
- B. Institution can “**specifically identify**” the individual with the project or activity.
- C. Charge is “**explicitly budgeted**”--as proposed sponsored agreement budgets are developed, the percentage of effort, salaries, and fringe benefits of administrative and clerical positions must be specifically included and reasonably explained in the budgets. Agency approval is also required. This approval is assumed if the salary is budgeted and not specifically denied either in negotiations between the principal investigator and the sponsor or in the notice of grant award. Rebudgeting authority may not be used to charge administrative or clerical salaries not included in the approved budget.

The determining factors in classifying salaries of administrative and clerical staff as direct costs must relate to the exceptional nature of the project and the extent of administrative duties performed to carry out the project goals and objectives to those routinely performed for departmental administration or general institutional administration.

### 3.05 Other Administrative Costs Charged as Direct Costs

2 CFR 220 states that “items such as office supplies, postage, local telephone costs, and memberships shall **normally** be treated as indirect costs.” [Appendix A, §F.6.b.] 2 CFR 220 does not absolutely prohibit such costs from being charged directly to a sponsored agreement if “they can be identified specifically with” the sponsored program or can be assigned to its activities “relatively easily and with a high degree of accuracy.” [Appendix A, §D.1.]

Costs of this kind may be charged directly to sponsored agreements, but only if the cost supports the activity that is **directly related to the special purpose or circumstance of the sponsored agreement**, and the link between the cost and the activity is close and clear. Assignment of such costs through a general departmental “surcharge” would not typically be close or clear enough to justify them as direct costs. Examples or practices that would establish a link between the cost and the sponsored agreement activity are shown in **EXHIBIT 1.B.** of this policy.

### **ALLOCATION OF A DIRECT COST ACROSS TWO OR MORE SPONSORED AGREEMENTS**

4.01 If a cost benefits two or more sponsored agreements in proportions that can be determined without undue effort or administrative expense, the cost should be allocated to the

sponsored agreements based upon the proportional benefit. If a cost benefits two or more sponsored agreements in proportions that cannot be determined because of the interrelationship of the work involved, then. . . the costs may be allocated or transferred to benefited projects on any reasonable basis...” [2 CFR 220, C.4.d.(3)]

#### 4.02 Proportional Benefit Rule

- A. When the proportional benefit rule is used, the required close linkage of the cost with sponsored agreement activity, as described in 3.05 of this policy, continues to apply. The criteria for allocation of costs to two or more sponsored agreements are as follows:
1. The cost in question should be **identified specifically** with the group of sponsored agreements relatively easily and with a **high degree of accuracy**;
  2. **Credible documentation** of this identification must be maintained by the department; **and**
  3. Administrative costs cannot normally be charged to such groups of sponsored agreements unless the costs clearly meet the criteria for a **“special purpose or circumstance”** specified in 3.02, 3.04, and 3.05 of this policy.
- B. Proportional Benefit for Compensation Costs (Salaries, Wages, and Benefits that Directly Benefit Two or More Sponsored Agreements)

The proportional benefit rule is applied when the principal investigator (P.I.) authorizes the distribution of salary and fringe benefits across two or more sponsored agreements. This authorization should reflect the P.I.’s best judgment of the proportional benefit of the salary and fringe benefit costs to each of the affected sponsored agreements.

The Monthly Time & Effort Payroll Confirmation and Bi-Weekly Payroll Confirmation reporting verify that the distribution of actual salaries and wages reflects the proportional distribution of compensation. 2 CFR 220 requires “confirmation of activity allocable to each sponsored agreement...” [Appendix A, §J.10.b.(2)(c)] This method of payroll confirmation reflects “an after-the-fact reporting of the percentage distribution of activity of employees. Reports should reasonably reflect the activities for which employees are compensated by the institution. The system should reflect activity applicable to each sponsored agreement. The Time & Effort Payroll Confirmation reports should be approved by the responsible official (in most instances, the department head) who can confirm that the work was performed. [Appendix A, §J.10.c.2.(c)&(d)]

- C. Proportional Benefit for Other Costs that Directly Benefit Two or More Sponsored Agreements

Conditions under which the proportional benefit rule can be used for other costs that directly benefit two or more sponsored agreements include the following:

1. cost in question qualifies as a direct cost under criteria defined in 3.01 and 3.02 of this policy;
2. cost pays for something that specifically benefits two or more sponsored agreements; **and**
3. without undue effort or administrative expense, a proportional distribution of the cost can be devised. For the sponsored agreements in question, this distribution must reflect, roughly but reasonably, the proportional distribution of the benefits for which the cost was paid. The P.I. must approve the use of proportional benefit and the method of its use.

Examples of acceptable methods are described below. Other methods may be acceptable, but should be discussed and approved with Grants and Contracts Financial Administration.

- Distribution of allowable direct costs used by two or more sponsored agreements, according to each grant's award percentage of the total awards of all sponsored agreements;
- Distribution of allowable direct costs used by two or more sponsored agreements, in proportions that reflect the P.I.'s best judgment of the proportions that will reflect the benefit of the cost to each of the sponsored agreements; or
- Distribution of administrative costs according to the methods described in a) or b) above. Administrative costs must meet a special purpose or circumstance as described in 3.01 and 3.02 of this policy.

## EXHIBIT 1

	<b>DIRECT COSTS</b>	<b>INDIRECT COSTS</b>
<b>1.</b>	SALARIES, WAGES, FRINGE BENEFITS , for positions such as: <ul style="list-style-type: none"> <li>• principal investigator</li> <li>• research associate</li> <li>• laboratory technician</li> <li>• graduate research assistant</li> </ul>	ADMINISTRATIVE AND CLERICAL SALARIES, WAGES, FRINGE BENEFITS
<b>2.</b>	ANIMALS AND ANIMAL CARE	
<b>3.</b>	COMPUTING COSTS (PROJECT SPECIFIC) <ul style="list-style-type: none"> <li>• scientific mainframe computing (CPU time)</li> <li>• programming expenses</li> </ul>	COMPUTING COSTS (GENERAL) <ul style="list-style-type: none"> <li>• Business Data Computing (Access to IMS, FAS, HRS, BRS, etc.)</li> <li>• COMPUTER NETWORKING costs (network cables, etc.)</li> <li>• LOCAL AREA NETWORK (LAN)/SERVICE LEVEL AGREEMENTS</li> </ul>
<b>4.</b>	SCIENTIFIC COMPUTER SOFTWARE (PROJECT SPECIFIC)	GENERAL PURPOSE SOFTWARE (word processing & spreadsheet) and COMPUTER SUPPLIES: <ul style="list-style-type: none"> <li>• purchase of software packages, such as Word, Excel</li> <li>• diskettes</li> <li>• paper</li> <li>• toner cartridge for printers</li> </ul>
<b>5.</b>	CONSULTANTS (external & internal)	
<b>6.</b>	EQUIPMENT	USE CHARGES OR RENTAL FOR OSU-OWNED EQUIPMENT
<b>7.</b>	EQUIPMENT MAINTENANCE CONTRACTS (for project dedicated equipment)	
<b>8.</b>	MOTOR VEHICLE EXPENSE (project-dedicated vehicles; travel)	
<b>9.</b>	PARTICIPANT COSTS <ul style="list-style-type: none"> <li>• stipends</li> <li>• tuition &amp; fees</li> <li>• dependency allowance</li> <li>• travel</li> <li>• other miscellaneous</li> </ul>	
<b>10.</b>	PUBLICATIONS, PRINTING, BINDING, AND COPYING SERVICE COSTS	
<b>11.</b>	RENTAL OF SPACE (away from University)	RENTAL OF OSU FACILITY (ON-CAMPUS)
<b>12.</b>	SHIPPING/OVERNIGHT DELIVERY SERVICES, such as UPS, Federal Express, Priority Mail	POSTAGE
<b>13.</b>	SPECIALIZED FACILITIES	
<b>14.</b>	SUBCONTRACTS	
<b>15.</b>	SUPPLIES <ul style="list-style-type: none"> <li>• laboratory</li> <li>• educational</li> <li>• instructional</li> </ul>	OFFICE SUPPLIES <ul style="list-style-type: none"> <li>• pens, pencils</li> <li>• paper, tablets</li> <li>• files, folders, binders</li> <li>• transparencies</li> <li>• staplers, staples</li> </ul>
<b>16.</b>	TELEPHONE TOLL CHARGES (long distance) and cellular phones required for field sites	LOCAL TELEPHONE CHARGES <ul style="list-style-type: none"> <li>• basic line charge</li> <li>• local calls</li> </ul>
<b>17.</b>	TRAVEL (required to fulfill sponsored agreement requirements)	
<b>18.</b>	OTHER <ul style="list-style-type: none"> <li>a) equipment rentals</li> </ul>	MEMBERSHIPS & SUBSCRIPTIONS

	<b>DIRECT COSTS</b>	<b>INDIRECT COSTS</b>
	b) reference books and materials c) search service charges d) insurance expense for project-dedicated equipment	

## A. LISTING OF ACCEPTABLE DIRECT COSTS

Examples of acceptable direct costs that meet 2 CFR 220 requirements and are “identifiable to a particular cost objective” [Appendix A, §F.6.b.] are listed and explained below:

1. SALARIES, WAGES AND FRINGE BENEFITS (includes researcher or technician’s salary and fringe benefits). See item 5. below for discussion of in-house consulting by faculty members (overload pay). According to 2 CFR 220, clerical salaries and wages shall *normally* be treated as indirect costs. There are situations where direct charging of administrative and clerical salaries is appropriate. These situations are discussed in this policy at 3.02 and 3.04.
2. ANIMALS AND ANIMAL CARE costs.
3. COMPUTING costs (project specific) include hours of mainframe time for scientific computing and programming costs.
4. SCIENTIFIC COMPUTER SOFTWARE costs represent the expense of project dedicated software that is necessary to carry out the scope of the project.
5. CONSULTANTS (expertise of a well-defined nature for a fixed period of time), both external and internal consultants. **Internal Consultants**--intra-university consulting is assumed to be undertaken as a university obligation requiring no additional compensation in addition to the full-time base salary of full-time faculty/staff members. This principle applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and/or the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically defined or stated in the agreement and/or approved in writing by the sponsoring agency and the authorized University official.
6. EQUIPMENT (permanent equipment, greater than \$5,000).
7. EQUIPMENT MAINTENANCE CONTRACTS. Equipment maintenance contract expenses of project-dedicated equipment or shared equipment that have monitored usage and an appropriate cost is charged directly to the grant account.
8. MOTOR VEHICLE EXPENSES. Maintenance expenses of project-dedicated vehicles and vehicles used in the field may be directly charged to projects, as well as motor vehicle expenses incurred with travel.

9. PARTICIPANT COSTS (payments made directly to or on behalf of student) include stipends, tuition and fees, dependency allowance, participant travel, and other miscellaneous participant costs.
10. PUBLICATIONS, PRINTING, BINDING, AND COPYING SERVICE COSTS (indicate and itemize costs for copying, reprinting, duplicating, or publishing). Be sure to include any publication costs connected with dissemination and evaluation, and check journal page rate costs for a correct and current estimate.
11. RENTAL OF SPACE (away from the University). Some projects require special space needs or staff stationed for long-term field site work. Lease agreements can be negotiated to lower space and housing costs with the rental costs charged directly to the project.
12. SHIPPING/OVERNIGHT DELIVERY SERVICES (Federal Express, etc.). Federal Express, U.S. Postal Priority Mail, DHL, and UPS overnight delivery services specifically define costs at the individual or account level and can be directly charged to the grant/contract account. Routine postage charges are normally treated as an indirect cost unless special purposes and circumstances exist for the project. If the project requires substantial mailing expenses in the performance of the project activities or technical work, postage should be directly charged to the project. (Refer to 3.01 and 3.02 in this policy.)
13. SPECIALIZED FACILITIES required by a specific program. If a project requires the creation of new, more secure facilities, including the acquisition of alarm equipment, special construction, or other project-specific facility costs, these costs may be directly charged to the project. These special-purpose facilities may or may not be usable by future programs. This cost category would also include increased security services required due to the level of classification/special access for the project.
14. SUBCONTRACT costs.
15. SUPPLIES (laboratory (e.g., chemicals), educational/instructional). Office supplies are normally treated as indirect costs unless a special purpose or circumstance (refer to 3.01 and 3.02) exists for the project. For allowability of computer supplies as a direct cost, refer to 3.05 and **EXHIBIT 1.B**.
16. TELEPHONE TOLL CHARGES (i.e., long distance calls). In addition to long distance charges, this category includes the toll charges and equipment for phones needed in field work, cellular phones needed for field site coordination, and phone call charges while in travel status. **If the sponsored project does not have a dedicated line, then an access code should be obtained from Telecommunications Services so that any long distance calls for the project may be identified with a specific access code on the monthly telephone bill for the campus department.**

17. TRAVEL costs (travel required to fulfill the sponsored project requirements).

18. OTHER direct costs may include:

- (a) equipment rentals;
- (b) reference books and materials directly related to project scope;
- (c) search service charges; or
- (d) insurance expense for project-dedicated equipment.

## **B. COSTS, NORMALLY TREATED AS INDIRECT COSTS, THAT MAY BE DIRECTLY CHARGED TO SPONSORED AGREEMENTS**

2 CFR 220 does not absolutely prohibit costs from being charged directly to a sponsored agreement, if **“they can be identified specifically with” the sponsored program or can be assigned to its activities “relatively easily and with a high degree of accuracy.”** [Appendix A, §D.1.]

Items of cost such as salaries of administrative and clerical staff, computer network, computer supplies, office supplies, postage, local telephone (including monthly service charges), and membership dues are normally treated as indirect costs. However, for special purposes and circumstances (refer to 3.02 in this policy), costs that are normally indirect may be directly charged. The examples shown in the **EXHIBIT 1** table are not exhaustive nor are they intended to imply that direct charging of administrative or clerical salaries and other categories of costs, normally treated as indirect, would always be appropriate for every situation.

Costs of this kind may be charged directly to sponsored agreements, but only if the cost supports the activity that is **directly related to the special purpose or circumstance of the sponsored agreement** (refer to 3.02 in this policy), **and** the link between the cost and the activity is **close and clear**. Examples or practices that would establish a link between the cost and the sponsored agreement activity are shown below. These examples are not meant to cover all situations.

1. **POSTAGE COSTS.** These costs are allowable as direct costs when they directly support the special purpose or circumstance of the sponsored agreement. A postage meter or log should be used to document such support. Shipping costs not classified as ordinary postage are acceptable direct costs. Sponsored agreements with significant postage requirements should be specifically identified and included in the proposed budget to the sponsor.
2. **OFFICE SUPPLY COSTS.** These costs cannot be charged to a sponsored agreement unless their applicability to the special purpose or circumstance of the sponsored agreement can be clearly established. Only those supplies actually used in the performance of the sponsored agreement (or by a documented, reasonable allocation between projects) may be directly charged. General office supplies, including paper, pencils and pens, tablets, file folders, binders, transparencies, and staples would not normally be a direct charge to a sponsored agreement unless the special purpose or circumstance can be justified, as shown in 3.02 of this policy.
3. **LOCAL TELEPHONE CHARGES.** These costs cannot be directly charged to a sponsored agreement unless their applicability to the special circumstance or purpose of the sponsored agreement can be clearly established (refer to examples in 3.02 of this policy). The basic telephone line charge and local calls should not be directly charged to sponsored agreements, except in special circumstances when a separate, dedicated telephone line is necessary solely for the performance of a sponsored project.

4. **COMPUTING COSTS (GENERAL).** This category includes 1) Business Data Computing (Access to University applications like IMS, FAS, HRS, BRS, etc.), 2) Computer networking costs (network cables, etc.), and 3) Local area networks (LAN) and Service Level Agreements. These costs cannot be directly charged to a sponsored agreement unless their applicability to the special circumstance or purpose of the sponsored agreement can be clearly established.
5. **GENERAL PURPOSE SOFTWARE AND COMPUTER SUPPLIES.** General purpose computer supplies, including computer diskettes, printer paper for research data and reports, and toner cartridges, may not **normally** be direct charged. Also included is general purpose office software, such as word processing and spreadsheet programs. These costs cannot be directly charged to a sponsored agreement unless their applicability to the special circumstance or purpose of the sponsored agreement can be clearly established. These items must be justified in the budget and not specifically disallowed. When such items are purchased to support multiple activities of project personnel, they may not be directly charged. If it can be documented that these types of supplies are used **only** for project purposes, then the cost(s) may be direct charged.
6. **MEMBERSHIPS AND SUBSCRIPTIONS.** Memberships in professional or scholarship societies and subscriptions to scholarship publications should not be directly charged to sponsored agreements unless their applicability to the special circumstance or purpose of the sponsored agreement can be clearly established. The link between the cost of the subscription and the project activity must be “close and clear.” If the required conference registration fee for a professional society/organization meeting also includes an annual membership in the professional organization, then the total amount paid for travel would include this membership fee. Travel costs related to a sponsored agreement and approved by the sponsoring agency in the budget for the sponsored agreement would be allowable as a direct cost.