2110 FEDERAL DIRECT COST EXPENDITURES

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Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To establish guidelines for the charging and approval of direct cost expenditures on federal awards.

DEFINITION:

The cost of a sponsored project is comprised of both direct costs incident to its performance plus a portion of the Facility and Administrative (F&A) costs of the University. Direct costs are those costs that can be specifically identified with a particular sponsored project, an instructional activity, or any other institutional activity relatively easily and with a high degree of accuracy. Typical costs charged directly to a sponsored project include but are not limited to: the compensation of employees working on the project; employee benefits; the cost of supplies and equipment used in the performance of the project; travel; subaward costs; service center charges; human subject fees and long distance telephone costs.

POLICY:

1. The principal investigator is responsible for the management and administration of his/her award within the constraints imposed by the sponsor and in accordance with University policies. The principal investigator must authorize all expenditures of project funds.

2. In some cases, the terms and conditions of the award may require that the sponsor give specific approval for certain direct costs either as part of the specific grant or contract, or subsequent to the initiation of the project.

3. For grants, many federal agencies have delegated most of these required direct cost prior approvals to the University under the “expanded authorities” or “waiver of authorities” set forth in 2 C.F.R. Chapter I and Chapter II. The University has further delegated this authority to the principal investigator, subject to his/her providing and /or maintaining documentation of the appropriateness of the expense in conjunction with the project, and having applied the factors of allowability, allocability, and reasonableness regarding the cost prior to processing the expenditure.
4. For federal contracts, prior approvals are often required for certain direct cost expenditures, and it is the principal investigator's responsibility to ensure that such approvals are obtained, in writing, through Research Services from the agency before funds are expended.

5. In order for a direct cost to be an allowable cost on a sponsored project, the cost must be:
   a. Reasonable. The cost must be necessary for the performance of the award and reflect the action that a prudent person would have taken.
   b. Allocable. The cost can easily be identified with the project and assigned to the project in accordance with benefits received.
   c. Consistently Applied. The cost must be accounted for consistently as either a direct cost or as an F&A cost.
   d. The fact that a proposed cost is awarded as requested by an applicant does not in itself indicate a determination of allowability.

6. Sponsor limitations on specific items of direct cost expenditures are included in, or referred to on the Account Information Sheet (AIS) or the Notice of Award.

7. The principal investigator or the departmental business administrator must maintain adequate supporting documentation to relate expenditures to the purpose of the award.

8. Certain costs may not be charged to sponsored projects either as direct costs or as part of the F&A rate. See Policy No. 2111 for a description of unallowable costs.

9. The salaries of Administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs to federally sponsored project awards may be appropriate only if ALL of the following conditions are met (2 C.F.R. §200.413):
   a. Administrative or clerical services are integral to a project or activity;
   b. Individuals involved can be specifically identified with the project or activity (Individuals performing administrative or clerical activities can accomplish this through certified effort reports);
   c. Such costs are explicitly included in the budget or have prior written approval of the Federal awarding agency; and
   d. The costs are not also recovered as indirect costs.

10. Other costs not normally charged directly include postage, telephone line and equipment costs, membership costs, office equipment and electronic devices including copiers, laptops, desktop computers, personal handheld computers, fax machines, scanners, flashdrives, that are used for general office purposes (rather than justified as a specific research purpose) as set forth in (2 C.F.R. §200.439). In order to charge these costs directly to Federal projects, the costs must be clearly identified in the University approved proposal budget with a detailed explanation provided which justifies the necessity for the costs. In such cases where detailed budgets are not provided to the sponsor and therefore such costs are not evident, specific prior approval of Research Services is
required. If such costs are determined to be necessary after the award is received and not included in the proposal a determination of allowability must be made by Research Services as well as determining sponsor prior approval requirements.

**NOTE:** For some sponsors, the fact that a proposal cost is awarded as requested by an applicant does not in itself indicate a determination of allowability;

**NOTE:** Computing devices are now treated as Materials and Supplies and may be charged directly if the cost is essential and allocable to the performance of the award per CFR 200.453.

**ROLES AND RESPONSIBILITIES:**

**PRINCIPAL INVESTIGATOR**

- Review and authorization of expenditures charged to Sponsored Projects
- Review and approval of all direct costs on sponsored projects
- Ensure all expenditures are allowable, allocable and reasonable
- Ensures sponsor approvals are sought and maintained in the sponsored project file

**BUSINESS ADMINISTRATOR**

- Assist Principal Investigator in determining the allowabilty, allocability, and reasonableness of direct costs on sponsored projects
- Ensure proper documentation to support expenditures is maintained
- Ensure terms and conditions of the sponsoring agency are being met

**OFFICE OF RESEARCH SERVICES**

- Provides guidance on allowability of costs issues
- Performs desk review of all costs for allowability during invoicing, interim & final financial reporting
- Prepares financial status report according to direct costs recorded in the General Ledger

The source of this document is Research Services.