



UAH Cost Policy Regarding Charges to Grants and Contracts
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COSTING GUIDELINES FOR SPONSORED PROJECTS

1.0 INTRODUCTION

The operation of any enterprise involves costs that pertain to a specific project, as well as general costs. For administrative and accounting purposes these costs are grouped into two categories – direct and indirect. Many costs, however, are not discretely direct or indirect and may appear in either category, depending on the circumstances. Such is the case with costs of federally sponsored awards at colleges and universities. The basic regulations for ascertaining the costs of federally sponsored awards at educational institutions are set forth in Office of Management and Budget (OMB) *Circular A-21: Cost Principles for Educational Institutions*. The Circular establishes principles for determining costs applicable to sponsored agreements, contracts, and other agreements with educational institutions.

Effective May 8, 1996, *Circular A-21* was revised to incorporate four Cost Accounting Standards applicable to educational institutions. These were issued by the Cost Accounting Standards Board (CASB) on November 8, 1994, and the *A-21* revision extended the standards to all sponsored agreements. Also, the revision required certain large institutions to disclose their cost accounting practices by the submission of a disclosure statement (DS-2) prescribed by CASB. The UAH DS-2 is due to the Department of Health and Human Services no later than March 31, 1999. Other *A-21* changes were implemented which are not specifically addressed here.

1.1 GENERAL GUIDELINES

A. Cost Accounting Standards

Universities are required to comply with the four standards below:

1. CAS 501 - Consistency in Estimating, Accumulating, and Reporting Costs
2. CAS 502 - Consistency in Allocating Costs for the Same Purpose
3. CAS 505 - Accounting for Unallowable Costs
4. CAS 506 - Cost Accounting Period

B. Effective Date and Applicability of Guidelines

Implementation of the University of Alabama in Huntsville (UAH) guidelines is **October 1, 1998**. These costing guidelines will apply to all new proposals submitted on or after September 1, 1998. For awards received after October 1, 1998 for which proposals were submitted prior to September 1, every effort will be made to establish the budget in compliance with these guidelines. These guidelines **apply to all sponsored projects**.

C. Responsibility for Compliance

Responsibility for following these guidelines **lies primarily with Principal Investigators (PIs) 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, training, and ensuring compliance through periodic internal and external audits. Administrators might assist in judging accuracy after the fact, but only the PI or the PI's technical staff can truly judge the appropriateness of a charge to the project.

1.2 FACTORS AFFECTING ALLOWABILITY OF COST

The following criteria must be considered in determining the allowability of a cost:

1. Costs must be **reasonable**. A cost is considered reasonable if the nature of the goods or services acquired and the amount involved reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision was made to incur the cost.
2. Costs must be **allocable** to sponsored agreements under the principles and methods of *Circular A-21*. A cost is allocable to a particular sponsored project if the goods or services involved are chargeable or assignable to a project in accordance with the relative benefits received.
3. CAS and the revised *Circular A-21* emphasized 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 when sponsored agreements are charged directly for specified costs, then charged again, through the University's indirect cost rate.

PIs, department administrators and in some specific instances central administration officials, should review costs to ensure that they are allowable and allocable to a project. Size, nature and complexity of sponsored agreements, although not the final determining factor, are in the aggregate important considerations in determining unlike circumstances. Due to the unique requirements of each sponsored agreement, unlike circumstances are determined on a case by case basis (see section 3.2).

2.0 DIRECT COSTS

OMB Circular A-21: Cost Principles for Educational Institutions states "Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution." (*A-21, D.1.*)

The above statement implicitly makes the point that charges to a sponsored project should support the project's purpose and activity and represent those costs 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.

Additional Criteria for Determining Direct Costs

1. **The cost must be included in the awarded budget, or the cost must be permitted within rebudgeting authority granted by the sponsor.**

When preparing applications for sponsored projects, the PI usually submits a detailed budget. This budget includes line items such as salaries and wages, benefits, travel, supplies and other direct costs. The award reflects approved budgeted items and becomes a part of the agreement between the university and the sponsor. Only those costs that are included in

the budget or rebudgeted costs allowed by the sponsor should be charged. If the cost requires institutional and/or sponsor prior approval after the award is made, the approval must be secured before the cost is incurred or the PI must provide a risk memo to Contracts and Grants Accounting.

2. **The cost must not be unallowable or restricted by the sponsor.**

Costs that are restricted or unallowable as indicated in the award notice or sponsor guidelines may not be charged to a sponsored project.

2.1 ACCEPTABLE DIRECT COSTS

Please refer to **Exhibit 1, Column A** for examples of acceptable direct costs. Direct costs must meet *A-21* requirements cited above and be “identifiable to a particular cost objective” (*A-21, F.6.b.*). The “particular cost objective” requirement means that costs cannot be directly charged if they are incurred for the benefit of research in general, or the interest of the researcher in general. They must be clearly identified with the work of a particular project or group of projects.

2.2 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 analyzing the long distance phone bill and allocating costs.
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 physical plant or machine shop inventory may be charged directly to a sponsored agreement if their applicability to the sponsored agreement is recorded at the time of withdrawal. All such costs must be charged to sponsored agreements based on anticipated usage at the time of withdrawal.

B. **Documentation** that links the cost incurred to the sponsored agreement activity should be prepared **by someone who is in a position to know the sponsored agreement activity**, e.g., the person who is making the long distance telephone call (as in example A.1 above) or the person designated by the principal investigator to purchase goods and services for that particular project.

C. **Departmental documentation must be maintained for a period of three years** following the date the final payment is received from the sponsor. If any litigation, claim or audit is started before the expiration of the three year period, the records must be retained until all issues are resolved and final action is taken.

D. Only **actual costs** may be charged to the sponsored agreement. (See Section 4.0 for documentation guidelines for the distribution of direct costs across two or more projects.)

2.3 UNACCEPTABLE DIRECT COSTING PRACTICES

The following direct costing practices are unacceptable because they do not meet *A-21*’s standard for a “high degree of accuracy” in the assignment of costs to sponsored agreements:

1. **Rotation of charges among sponsored agreements** by month without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored agreement;
2. **Assigning charges to the sponsored agreement with the largest remaining balance** rather than charging the account that the expense truly benefits;
3. **Charging the budgeted amount** rather than charging an amount based on actual usage;
4. **Assigning charges to a sponsored agreement in advance** of the time the cost is actually incurred;
5. **Identifying a cost as something other than what it actually is**, such as classifying an item of equipment as a supply;
6. **Charging expenses exclusively to sponsored agreements** when the expense has supported non-sponsored agreement activities;
7. **Assigning charges that are part of normal administrative support** (indirect costs) for sponsored agreements (e.g., accounting, payroll). Refer to 3.0 on Indirect Costs in these guidelines.

3.0 INDIRECT COSTS (Facilities and Administrative Costs)

Indirect costs are defined in *A-21* as “those that are incurred for common or joint objectives [of the University] and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity.” (*A-21, E.1.*) These costs are also referred to as “Facilities and Administrative” (F&A) and are comprised of a number of components. Facilities includes “depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. Administration is defined as general administration and general expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically under...Facilities.” (*A-21, F.1.*)

At the college and department level “salaries of administrative and clerical staff ...{and} items such as office supplies, postage, local telephone cost, and, ... shall normally be treated as F&A costs.” (*A-21, F.6.b.*) Costs incurred for the same purpose in like circumstances must be consistently treated by the University as either direct or indirect.

3.1 CHARGING NORMALLY INDIRECT COSTS TO SPONSORED PROJECTS

A-21 does not absolutely prohibit costs identified by the institution as indirect from being charged directly to a sponsored agreement. However, strict criteria must be met.

Costs normally treated by the University as indirect may be charged to a sponsored project when **ALL** of the following conditions are met:

1. **The costs are incurred to meet the special purpose or circumstance of the sponsored agreement:**
 - a) A special purpose or circumstance exists as defined in 3.2 of these guidelines, and
 - b) The cost is required by and directly related to that special purpose; and
2. The cost can be **readily identified specifically with the project with a high degree of accuracy;** and
3. The cost is **budgeted with justification, and approved**
 - a) The cost is separately budgeted in the proposal budget (Note that for certain fixed-price funding arrangements a detailed budget is not required by the sponsor; however, the internal budget should reflect the cost);

- b) The budgeted amount reflects a realistic estimate of the cost and, in the case of salary, the percent of effort;
- c) A reasonable justification is given for the cost. In the case of federal agency sponsors the “Budget Justification” section of the proposal should state that the costs are normally treated as indirect by the institution, but are being requested to be charged as direct costs due to a special purpose or circumstance. An explanation of the special circumstance should be clearly outlined in the “Budget Justification;”
- d) The sponsor approves the item in the award. Since these items are specifically set forth in the proposal, it is assumed that the sponsoring agency has approved this exceptional treatment of administrative and clerical salaries or other costs normally treated as indirect if they accept the proposal, fund the project and do not prohibit the cost on the notice of award. It is the principal investigator’s responsibility to notify the Research Administration Office of any changes made to the proposed budget in pre-award negotiations with the sponsor in which Research Administration did not participate.
- e) The University has requested funding agency rebudgeting approval for the cost and this approval has been granted.
- f) The University has contractual rebudgeting authority and has justified and documented the cost rebudgeting.

Note that the determining factor in classifying salaries of administrative and clerical staff as direct costs must relate to the **different** work they perform to meet the exceptional requirements of the project as compared to that of administrative and clerical staff who perform work related to routine departmental or general institutional administration.

3.2 SPECIAL PURPOSES OR CIRCUMSTANCES WHERE DIRECT CHARGING OF COSTS NORMALLY TREATED AS INDIRECT COSTS MAY BE APPROPRIATE

Charging costs normally treated as indirect as a direct charge to a sponsored project may be approved for projects that involve the following special purpose or circumstance:

1. **Industrial/Commercial (excluding Federal pass through awards).** Projects sponsored by these organizations are proposed and awarded to be performed at least in part for the benefit of the industrial/commercial sponsor as well as the University. Total costs of the project are the concern of the sponsor and the sponsoring company may not require a detailed budget. Costs are assigned to projects as deemed appropriate by the University. However, if a detailed budget is required, the guidelines under Section 3.1 of this policy must be followed in direct charging a normally indirect cost to the sponsored award.
2. **Foundations and Not-For-Profit Agencies and Associations.** Typically the guidelines of these organizations specify the types of costs they wish to be charged directly to a project. If the sponsor is charged the full indirect rate, there may not be a special purpose or circumstance.
3. **State Sponsored Agreements.** The University must comply with State agency regulations and statutory requirements. Consequently, costs must be assigned based on the sponsor’s agreement and the awarded budget.
4. **Training Grants.** Since training grants are for a different purpose (training) as opposed to a traditional research project, these project budgets often include costs that are normally

considered to be indirect costs. Training grants usually identify a line item for “institutional allowance” which authorizes direct charging of costs normally treated as indirect if they are reasonable, specifically identified with the project, and allowed by the sponsor’s guidelines.

5. **Planning Grants.** 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. Since planning grants are for a different purpose (planning) as opposed to a traditional research project, these project budgets often include costs that are normally treated as indirect.
6. **Projects that are geographically inaccessible** to normal departmental administrative services (e.g., a project that takes place in site(s) that is/are remote from the campus).
7. Projects that require **making travel and meeting arrangements (conferences and seminars) for large numbers of participants.**
8. **Large, complex programs,** where size, nature and complexity of the activity goes well beyond the normal departmental support or there is a functional difference in work by individuals in the same job class. Examples include grants for centers, the Experimental Program to Stimulate Competitive Research (EPSCOR), multi agency alliances, and other sponsored agreements and contracts that entail assembling and managing teams of investigators.
9. 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, postage should be charged as a direct cost of the project.
10. Projects whose principal focus includes the **preparation and production of manuals, large reports, long reports, books, and monographs** (excluding routine progress and technical reports), software and multimedia material.
11. Individual projects requiring **project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, and/or other project-specific regulatory protocols, and multiple project-related investigator coordination and communications.**
12. **Other Sponsored Activities (not research or instruction)**
Projects which are beyond the traditional instructional and research responsibilities of an academic unit. These activities primarily provide services beneficial to individuals and groups external to the institution. Examples include activities such as public service, workshops, community development and projects supported by funds passed through the State.
13. **Other**
The above categories are not exhaustive. Additional examples of special purposes and circumstances may be approved by the Research Administrator on a case by case basis. This includes situations wherein an entire project does not meet one of the above criteria for special purpose and circumstance, but a particular item(s) of cost within that project is incurred for a different purpose.

3.3 BUDGET REVISIONS

Occasionally, during the course of conducting an awarded project an unanticipated need may arise. If a proposal and award has not specifically identified as a direct charge a cost normally treated as an indirect cost, a formal rebudgeting request with adequate justification must be submitted to Research Administration for review and approval.

4.0 ALLOCATION OF A DIRECT COST ACROSS TWO OR MORE SPONSORED AGREEMENTS

“If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities 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...”(A-21, C.4.d(3)).

The preceding language provides two kinds of flexibility for allocating an allowable direct cost across two or more projects. In these guidelines, they are called the “proportional benefit rule” and the “interrelatedness rule.” Each is described in more detail below. In general, the two rules are distinguished as follows:

The **proportional benefit rule** can apply across two or more projects whether or not they are technically and scientifically related, but the distribution of costs across the projects must correspond roughly to the distribution of the benefit which the costs support.

The **interrelatedness rule** can apply only across two or more projects that are scientifically and technically related. However, the distribution of costs does not necessarily have to reflect the distribution of the corresponding benefit.

In practice, it is likely that the proportional benefit rule will be used more widely, since it does not require demonstration of a scientific or technical relationship among the projects in the designated group.

Irrespective, when either of these rules is applied the University is responsible for ensuring that costs charged to a sponsored agreement(s) are allowable, allocable and reasonable under the A-21 cost principles. Also, the cost in question should be identified specifically with the group of sponsored agreements relatively easily and with a high degree of accuracy. Credible documentation of this identification must be maintained by the department; and administrative costs (costs which are normally treated as indirect) cannot normally be charged to such groups of sponsored agreements unless the costs clearly meet the criteria for a special purpose and circumstance specified in section 3 of this policy.

4.1 PROPORTIONAL BENEFIT RULE FOR NON-COMPENSATION COSTS

The proportional benefit rule is used when:

1. The cost in question qualifies as a direct cost as described in sections 2 and 3 of these guidelines;
2. The cost benefits two or more projects or activities; and

3. Without undue effort or administrative expense, a distribution can be devised which roughly but reasonably reflects the proportional distribution of the benefit that the cost has paid for. The PI(s) must be a part of the approval process when using this method.

Examples of Acceptable Methods:

1. The PI's best judgment of the proportions that will reflect the benefit of the costs to each of the sponsored agreements;
2. Log documenting actual usage;
3. Other methods may be acceptable but should be discussed and approved by the Research Administration Office.

Please see section 2.3 for **unacceptable** direct costing practices.

**4.2 PROPORTIONAL BENEFIT RULE FOR COMPENSATION COSTS
(e.g. Salaries, wages and fringe benefits)**

A-21 states "The payroll distribution system will allow confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&A {indirect} cost categories and the functions to which they are allocable" (A-21, J.8.b. (2)(c)).

The proportional benefit rule is applied when the Principal Investigator authorizes the distribution of allowable salary and related fringe benefits across two or more sponsored agreements. This authorization should reflect the PI's best judgment of the proportional benefit of the salary and fringe benefit costs to each of the affected sponsored agreements, based on first-hand knowledge of the individual's efforts on the project(s).

The *Time Certification Form* is an after-the-fact confirmation that the faculty/staff salary charged to both direct and indirect costs are reasonable in relation to the activity performed. This form is initiated by the UAH Payroll Office.

For student and hourly on-call employees the monthly time documents (time and attendance card) account for 100% of the activity for which the employee is compensated.

Under these guidelines, when allowable salaries and related fringe benefit costs are allocated across two or more projects, the individual who signs the *Time Certification Form* and *Time and Attendance Card* is certifying that the percentages/hours are a reasonable proportional distribution of the employee's actual effort.

4.3 INTERRELATEDNESS RULE

This rule applies when a cost is clearly a direct cost for a group of projects, but the interrelatedness of the work of the projects makes the proportional benefit rule impractical because of undue effort or administrative expense. The interrelatedness rule provides greater flexibility in distributing costs, but the conditions for its use are more stringent. Two conditions must be met. First, the interrelatedness of the projects must be established. Second, the impracticality of charging the cost directly to a single project or using the proportional benefit rule must be established.

Identifying an interrelated group of projects.

Establishing that a group of projects is “interrelated” is accomplished either by disclosure of scientific overlap when “other support” is described in the initial application, or by the documentation of the PI, with the approval of the PI’s supervisor. A fundamental criterion of interrelatedness is a close scientific and technical relationship among the projects.

For all sponsored projects, federal and non-federal, **all of the following conditions must be met** in order to establish interrelatedness among a group of projects:

1. The projects are scientifically and technically related;
2. There is no change in the scope of the individual project in the group, relative to the scope described in the proposals;
3. Establishing interrelatedness will not be detrimental to the conduct of work approved under each individual project;
4. Establishing interrelatedness will not be used to circumvent the terms and conditions of an individual project;
5. Any additional requirements of the particular sponsor have been met.

Research Administration will determine whether prior approval is required by other sponsors in order to establish and distribute interrelated costs.

Distributing interrelated costs.

An interrelated cost may be distributed among the projects in an interrelated group on “any reasonable basis” (*A-21, C.4.d (3)*).

For grants that meet the criteria above, a cost that benefits a set of interrelated projects may be charged to any or all of them in any proportion that, in the judgment of the PI, constitutes a “reasonable basis.” The written prior approval of the Grants Officer should be obtained for any questioned interrelated cost distribution. These distributions will be reviewed and approved by Research Administration.

5.0 UNALLOWABLE COSTS

There are costs which are not eligible for reimbursement on sponsored projects as either direct or indirect. These are called unallowable costs and include but are not limited to:

- Alcoholic beverages
- Bad Debts
- Commencement or convocation costs
- Contingency provisions
- Contributions, donations, remembrances
- Entertainment
- Fines and penalties
- Fundraising
- Goods or services for personal use of employees
- Lobbying

6.0 DISALLOWED COSTS

In accordance with existing University policy, overruns and disallowed costs are the responsibility of the appropriate department/center. When Contracts and Grants Accounting is notified by a sponsor or an internal or external auditor that an incurred cost is not allowed, Accounting will notify the PI and/or business officer that the cost must be removed from the sponsored project account. If it has not been removed within a month, Contracts and Grants Accounting will transfer the cost to a designated account within the department/center. In addition, with the implementation of these guidelines, if an indirect cost is charged to a sponsored project account and has not been justified as a “special purpose or circumstance,” that expenditure will be transferred from the sponsored account to an appropriate account.

7.0 COST TRANSFERS

It is the responsibility of all departments and operating units to have in place internal controls that provide for the charging of all costs to the appropriate accounts. Therefore, transferring costs between accounts is considered legitimate only when necessary to correct an error, properly allocate charges between accounts involving closely related work, or redistributing charges in those few cases where the university’s billing systems will not allow for charging the appropriate amount to the proper accounts upon original posting.

In all cases, cost transfers must be made promptly. In this context, "promptly" means that the cost transfer should be made no later than 90 days of the original transaction. Requests for cost transfers to be processed between 91 and 120 days must be signed specifically by the principal investigator and must also be approved by the applicable department chair. If under some rare circumstances, it should be necessary to make a cost transfer beyond 120 days, then the applicable dean's signature will be required in addition to the signatures of the principal investigator and department chair. Requests for late cost transfers should include an explanation of the extenuating circumstances which prevented the transaction from being made earlier.

EXHIBIT 1

This table includes examples of costs that are normally charged as direct or indirect expense indicated by the applicable column. The costs normally treated as indirect costs can be direct charged to sponsored projects if the criteria under section 3.1 of this policy is satisfied.

A. DIRECT COSTS

B. INDIRECT COSTS

SALARIES, WAGES, FRINGE BENEFITS, such as: - principal investigator - faculty - research assistant - scientist - technician - post doc. - graduate research assist. - other	ADMINISTRATIVE AND CLERICAL SALARIES, WAGES, FRINGE BENEFITS
SCIENTIFIC COMPUTER SOFTWARE	COMPUTER SOFTWARE AND SUPPLIES
EQUIPMENT (technical & scientific)	COMPUTER HARDWARE AND SUPPLIES
MAINTENANCE/REPAIR SCIENTIFIC EQUIPMENT	EQUIPMENT (general purpose) - copier - office furniture
MAINTENANCE/REPAIR SCIENTIFIC EQUIPMENT	MAINTENANCE/REPAIR GENERAL PURPOSE EQUIPMENT
PAGE CHARGES/REPRINTS/REFERENCE MATERIALS	
RENTAL OF SPACE OR EQUIPMENT (non-University owned)	
SERVICE/RECHARGE CENTER CHARGES	
SUPPLIES & MATERIALS - chemical & laboratory - gases - fabrication parts	OFFICE SUPPLIES - pens, pencils - transparencies - paper, tablets - staples - files, folders, binders
TELEPHONE CHARGES - LONG DISTANCE - calls - faxes	TELEPHONE CHARGES - BASIC - basic line charge - pagers - local calls - voice mail
TRAINEE COSTS (Training Grants Only) - stipend/fellowship - tuition & fees - travel	
TRAVEL	
FREIGHT/OTHER TRANSPORTATION - UPS, FedEx - Priority Mail	
CONSULTANTS	
SUBCONTRACTS	
	MEMBERSHIPS AND SUBSCRIPTIONS
	PRINTING
	POSTAGE
	REPRODUCTION (COPYING) & BINDING

See following pages for comments on selected items of costs

A. LISTING OF ACCEPTABLE DIRECT COSTS (Refer to Exhibit 1)

Examples of acceptable direct costs that meet A-21 requirements and are “identifiable to a particular cost objective” (*F6b*) are listed and explained below:

1. **SALARIES AND WAGES AND FRINGE BENEFITES** (includes researcher or technician’s salary and fringe benefits). According to A-21, clerical salaries and wages shall *normally* be treated as indirect costs. There are situations where the direct charging of administrative and clerical salaries is appropriate. These situations are discussed in these guidelines in section 3.
2. **SCIENTIFIC COMPUTER SOFTWARE** costs represent the expense of project(s) dedicated software that is necessary in order to carry out the scope of the project(s).
3. **EQUIPMENT.** Moveable equipment, greater than \$2000 in cost. Must be project(s) dedicated.
4. **MAINTENANCE/REPAIR OF SCIENTIFIC EQUIPMENT.** May be directly charged when the item is used exclusively on a sponsored project or when a proportional benefit can be established and supported by departmental documentation.
5. **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.
6. **RENTAL OF SPACE (non-University owned).** Some projects require special space needs or staff stationed for long-term field site work.
7. **SUPPLIES & MATERIALS** (a) Laboratory (e.g., chemicals), (b) Educational/instructional. Office supplies are normally treated as indirect costs unless a special purpose or circumstance (Refer to 3.2) exists for the project.
8. **TELEPHONE CHARGES.** Only long distance calls or faxes related to the project are allowable.
9. **TRAINEE COSTS.** Costs include stipend, tuition and fees, fellowships, participant travel, other miscellaneous participant costs. These charges are allowable on training grants only.
10. **TRAVEL.** Costs for travel required to fulfill the sponsored project requirements are allowable.
11. **FREIGHT/OTHER TRANSPORTATION.** 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 appropriate sponsored project.
12. **CONSULTANTS** (expertise of a well-defined nature for a fixed period of time). Both external and internal consultants are allowable as a direct cost.
13. **SUBCONTRACTS.** Costs specifically approved in the budget are allowable. An agreement must be written by Research Administration and signed by both parties prior to work beginning.
14. **OTHER** direct costs may include:
 - a) **equipment rentals;**
 - b) **reference books and materials directly related to project scope;**
 - c) **search service charges.**

B. COSTS, NORMALLY TREATED AS INDIRECT COSTS, THAT MAY BE DIRECTLY CHARGED TO SPONSORED AGREEMENTS (Refer to Exhibit 1)

Circular A-21 does not absolutely prohibit such costs from being charged directly to a sponsored agreement, if they meet the criteria described in section 3.1.

Items of costs such as salaries of administrative and clerical staff, office supplies, postage and local telephone (including monthly service charges) are normally treated as indirect costs. However, for special purposes and circumstances (Refer to 3.2 in these guidelines), 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 “special purpose” situation.

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. **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.
2. **COMPUTING HARDWARE.** Computing hardware is normally an indirect cost because computers are used in support of a variety of activities. However, computers may be charged to a sponsored agreement when the following are met:
 - a) A specific identification with the project;
 - b) Be required to fulfill the scientific objectives;
 - c) Be a preponderance of use on the project;
 - d) Specifically listed in the proposal budget and be awarded.
3. **OFFICE SUPPLIES.** 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 3.2 of these guidelines.
4. **LOCAL TELEPHONE CHARGES.** It may be appropriate to charge basic telephone charges if a dedicated telephone line is necessary solely for the performance of a sponsored project and will be removed at the conclusion of the project.

5. **MEMBERSHIPS AND SUBSCRIPTIONS.** Institutional 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.
6. **POSTAGE.** 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.
7. **REPRODUCTION AND BINDING.** Copying expenses and any publication costs connected with dissemination and evaluation of information of the sponsored project are only allowable as direct cost when there is a special purpose or circumstance.