

DIRECT AND INDIRECT (F&A) COSTS OF SPONSORED AGREEMENTS (Grants, Contracts, and Other Agreements)

Effective: December 26, 2014

Contact: Director, Sponsored Projects Services

I. Purpose

Federal regulations (OMB [Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards](#) and the [Federal Cost Accounting Standards](#)) require that the same type of costs be treated consistently as direct or indirect costs.

This policy statement provides guidance to University staff to assure compliance with the Federal requirements.

II. Applicability

This policy applies to all Federal and non-federal sponsored agreements (grants, contracts, and other agreements). However, costs normally treated as indirect, such as administrative/clerical salaries, may be charged directly to non-federal sponsored agreements if permitted by the sponsor.

III. Effective Date

This policy is effective on December 26, 2014. The policy applies to all costs incurred on or after that date.

IV. Definitions

OMB Uniform Guidance provides the following definitions of Direct and Indirect Costs (Facilities and Administrative Costs).

Direct Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded 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 (F&A) costs.

(OMB Uniform Guidance 2 CFR 200.413)

Indirect Costs (Facilities and Administrative Costs)

Indirect (F&A) costs are those 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

(OMB Uniform Guidance 2 CFR 200 Appendix III)

V. Consistent Treatment of Costs

Consistent treatment of costs is a basic cost accounting principle and is specifically required by OMB Uniform Guidance to assure that the same type of costs are not charged to Federally sponsored agreements both as direct costs and as indirect costs. This concept is reinforced and emphasized in a Cost Accounting Standard (referred to as "CAS 502") that educational institutions are required to follow.

Consistency, in this context, means that costs incurred for the same purpose, in like circumstances, must be treated uniformly as either direct costs or as indirect costs. Thus, since certain types of costs, such as the salaries of administrative/ clerical staff, office supplies, and postage are normally treated as indirect costs, the same types of costs cannot be charged directly to sponsored agreements, unless the circumstances related to a particular project are clearly different from the normal operations of the institution. For example, although postage is normally treated as an indirect cost, a particular project may have a special need for postage because of the mailing of hundreds of survey questionnaires. In this case, it would be appropriate to charge the project directly for the postage to mail the questionnaires, since this would constitute "unlike circumstances" compared to routine postage requirements.

VI. Direct Costs

The following types of costs should be directly charged to sponsored agreements where they can be specifically identified to the work performed under the agreements.

Salaries, Wages, Fringe Benefits

Faculty	Engineers
Research Associates	Scientific Professionals
Postdoctoral Fellows	Technicians
Lab Assistants	Students Performing Scientific or Technical Work

Materials and Supplies

Chemicals	Computer Software and Supplies
Glassware	Research Supplies
Compressed Gases and Liquids	

Other Direct Costs

Travel	Subject/Participant Costs
Consulting Services	Student Support (training grants)
Printing/Photocopying	Animal Care
Equipment	Sub-Awards
Long Distance Telephone Charges	

VII. Normal Indirect (F&A) Costs

ADMINISTRATIVE/CLERICAL SALARIES AND FRINGE BENEFITS

As required by Uniform Guidance, the salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. They may be charged directly only under exception circumstances.

1. Uniform Guidance prescribes that direct charging of these costs may be appropriate only if all of the following conditions are met:
 - a. Administrative or clerical services are integral to a project or activity;
 - b. Individuals involved can be specifically identified with the project or activity;
 - c. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
 - d. The costs are not also recovered as indirect costs.

(OMB Uniform Guidance [2 CFR 200.413](#))

2. Examples of projects where direct charging of integral and specifically identifiable administrative/clerical staff salaries may be appropriate are listed below. The costs must be explicitly budgeted or otherwise approved by the federal sponsoring agency. These examples provided by the University are not exhaustive nor are they intended to imply that direct charging of administrative costs would always be appropriate for the situations illustrated in the examples.
 - a. Large, complex programs such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
 - b. Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting (such as epidemiological studies, clinical trials, and retrospective clinical records studies).
 - c. Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
 - d. Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).
 - e. Projects that are geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research field sites that are remote from campus.
 - f. Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications.
 - g. Institutional allowance for training grants.
3. Budget justifications for charging administrative costs directly to the agreement should meet the following criteria:
 - a. They justify the circumstances of the costs being integral and specifically identifiable to the project as described in item two above.
 - b. They include the title(s), percent of effort, and salary amount(s) for the administrative/clerical position(s) being direct charged.
 - c. A designated official in the academic unit will review the proposal for appropriateness of the administrative/clerical salaries. Department head approval on the University's proposal will serve as documentation that this review has taken place. For programs that do not require submission of a project budget to the sponsoring agency, e.g., NIH modular grants, the cost must be still be justified within the proposal and approved by a designated official in the unit.

OTHER NORMAL INDIRECT COSTS

1. The following costs are normally indirect per Uniform Guidance. They may be charged directly only under special circumstances:
 - Office Supplies
 - Postage
 - Local Telephone Services
 - Memberships

These costs may be directly charged only where they meet all of the following requirements.

- The project has a special need for the item or service that is beyond the level of services normally provided by departmental administration.
- The cost can be specifically identified to the technical scope of work conducted under the project and is appropriately documented.
- The cost is specified in the proposed budget of the sponsored agreement, and the special circumstances requiring direct charging are justified in the proposal.
- The sponsoring agency accepts the cost as part of the project's direct cost budget (i.e., does not specifically disapprove the cost in the award or other notification to the University). For programs that do not require submission of a project budget to the sponsoring agency, e.g., NIH modular grants, the cost must be justified and approved by the designated official of the academic unit. A copy of the approved justification should be forwarded to Sponsored Projects Services with the proposal.

If the cost meets the first two conditions listed above but was not included in the approved budget of the sponsored agreement, it may be charged directly to the agreement only where the investigator can justify the unlike circumstances requiring direct charging the costs, and the University has rebudgeting authority under federal regulations or the terms of the sponsored agreement. Please see specific award document or contact Sponsored Projects Services for rebudgeting requirements.

A justification must be provided in writing which includes the same information that would have been provided in the proposed project budget and must explain why the cost was not in the original budget. The designated official of the unit will approve these requests if the designated official is satisfied that the costs are appropriate and that the sponsoring agency would have approved the cost had it been in the original proposal.

2. Examples of "unlike circumstances" where the costs may be directly charged to the agreement are:
 - membership fee required in order to attend a conference, where the conference is part of the agreement
 - membership fee required in order to subscribe to a journal, where the subscription is necessary for the agreement
 - postage for reprints, only in unusual circumstances, e.g., very large volume of reprints
 - express mail
 - shipping costs
 - lab notebooks, pens, and other office-type supplies stored and used only in the laboratory or field for the technical work

VIII. Quality Control Assurance Program

Administrative/Clerical Salaries and Fringe Benefits

Sponsored Projects Services will periodically review all administrative/clerical salaries charged to Federal agreements. Charges will be transferred to departmental funds if not supported by an approved budget and adequate budget justification. In cases where the administrative/clerical salaries are not included in the approved budget, charges will be transferred to departmental funds if not subsequently justified and approved by the sponsoring federal agency.

Other Normal Indirect Costs

Sponsored Projects Services will periodically select a judgment sample of transactions charged to Federal agreements for postage, memberships, local telephone, and office supplies. Charges will be transferred to departmental funds if not supported by an approved budget and adequate budget justification. In cases where the other normal indirect costs are not included in the approved budget, charges will be transferred to departmental funds if not subsequently supported by an adequate justification and approval by the designated official of the academic unit.

Contact: If you have any questions about this policy, how to treat a specific cost, or need information, please contact Sponsored Projects Services at 626-6000.