



## Grant and Contract Accounting Office

# Costing Issues on Fund 145/146 Sponsored Grants and Contracts

### Introduction

Sponsored programs incur costs in support of the sponsored research, instruction or other sponsored activity that is carried out under the program. The University maintains this practice in order to ensure those costs are necessary, reasonable, and allocable to a particular sponsored program and administered consistently across all sponsored programs. The University maintains this practice, its policies, systems, internal controls and procedures that ensure that direct costs and associated indirect costs, consisting of and referred to as Facilities & Administrative (F&A) costs, are presented appropriately in proposal budgets and charged consistently to sponsored program project ids.

Per Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Chapter I, Chapter II, Part 200, Uniform Guidance), federal cost principles must be applied uniformly to all federal awards and must be consistent with practices, policies and procedures that apply to both federal awards and other activities of the university, including non-federally supported programs. Along with the general provisions of the Uniform Guidance, these cost principles are also subject to agency- and announcement-specific restrictions as well as the terms and conditions of the federal award.

Cost principles are those factors that are utilized to assess allowability of costs. These principles state that costs must be necessary, reasonable and allocable, and conform to limitations set out by regulation and the award itself. Additionally, a cost should not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost (F&A).

As §200.412 of the Uniform Guidance states, "There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances as a direct or indirect (F&A) cost in order to avoid double-charging of federal awards."

All direct costs charged to a sponsored program must be necessary, reasonable, and allocable to the particular program and be incurred within the limitations set out by the sponsored award document and sponsor specific requirements, which may include seeking approval prior to charging certain costs to the award.

Any cost that is considered an F&A cost, such as administrative or clerical services, should not be directly charged to a federally funded sponsored program unless certain conditions are met to justify the direct charging of the cost and prior sponsor approval is sought and obtained, consistent with the sponsor's definition of prior approval.

Costs that are normally recovered under F&A may be directly charged to non-federally sponsored programs if permitted by the sponsor's policies, award terms and conditions, or are otherwise approved by the sponsor.

The Principal Investigator (PI) shall put into place adequate internal controls to reasonably ensure that all expenditures associated with the sponsored program are consistent with this procedure. Costs determined to be unallowable, through the audit process, by the sponsor, by the pass-through entity, by Grant and Contract Accounting (GCA) post-award monitoring, or other constituent with oversight regarding sponsored program expenditures, become the responsibility of the PI for payment from alternative sources.

### **Direct Costs**

Per §200.413 of the Uniform Guidance, "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."

Below is a list of the types of costs that could be directly charged to sponsored agreements when they can be specifically identified to the work performed under those agreements. Allowability of these costs should be documented at the proposal stage and throughout the project.

Salaries, Wages and Fringe Benefits (see Sections §200.430, §200.431, §200.437, §200.466)

- Faculty
- Research Associates, Scientists
- Predoctoral and Postdoctoral Fellows
- Technicians, Lab Assistants, Graduate Students
- Tuition remission for Graduate Students

Supplies and Materials (see Sections §200.20, §200.33, §200.48, §200.89, §200.94, §200.439, §200.453)

- Chemicals
- Laboratory Supplies
- Computer Software
- Books
- Minor Equipment
- Photographic supplies
- Tools
- Animals

- Computing devices (this is allowable for devices that are essential and allocable, but do not have to be solely dedicated to the project)

Other Direct Costs (see Sections §200.20, §200.48, §200.75, §200.89, §200.439, §200.452, §200.456, §200.461, §200.463, §200.470)

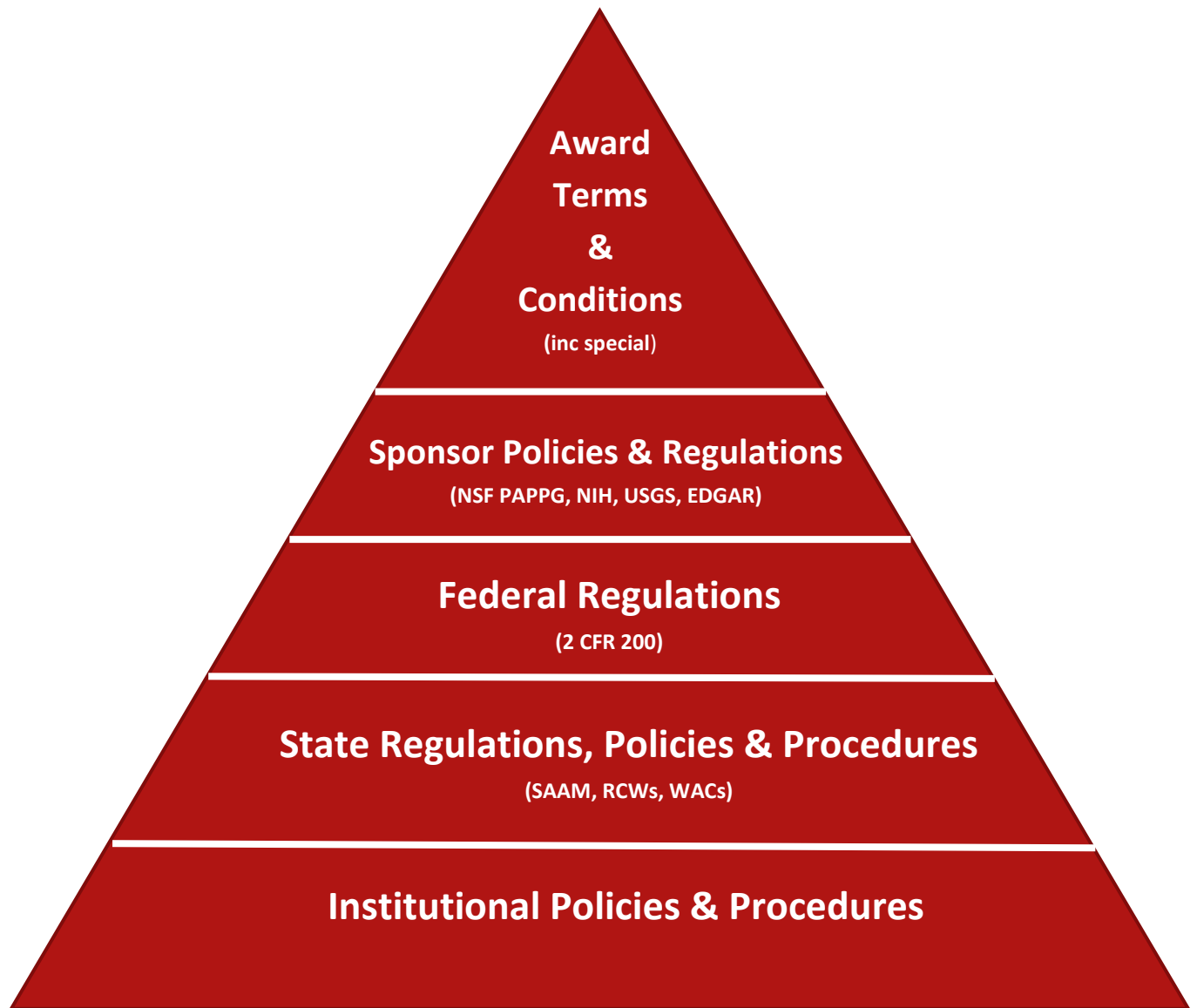
- Travel
- Postage
- Subawards
- Consulting Services
- Equipment
- Animal Care
- Motor Pool
- Other costs specifically identified and justified in funded proposals
- Long distance telephone costs
- Freight and Express
- Research Subject costs
- Publication costs
- Recharge Center Fees

### **Indirect Costs**

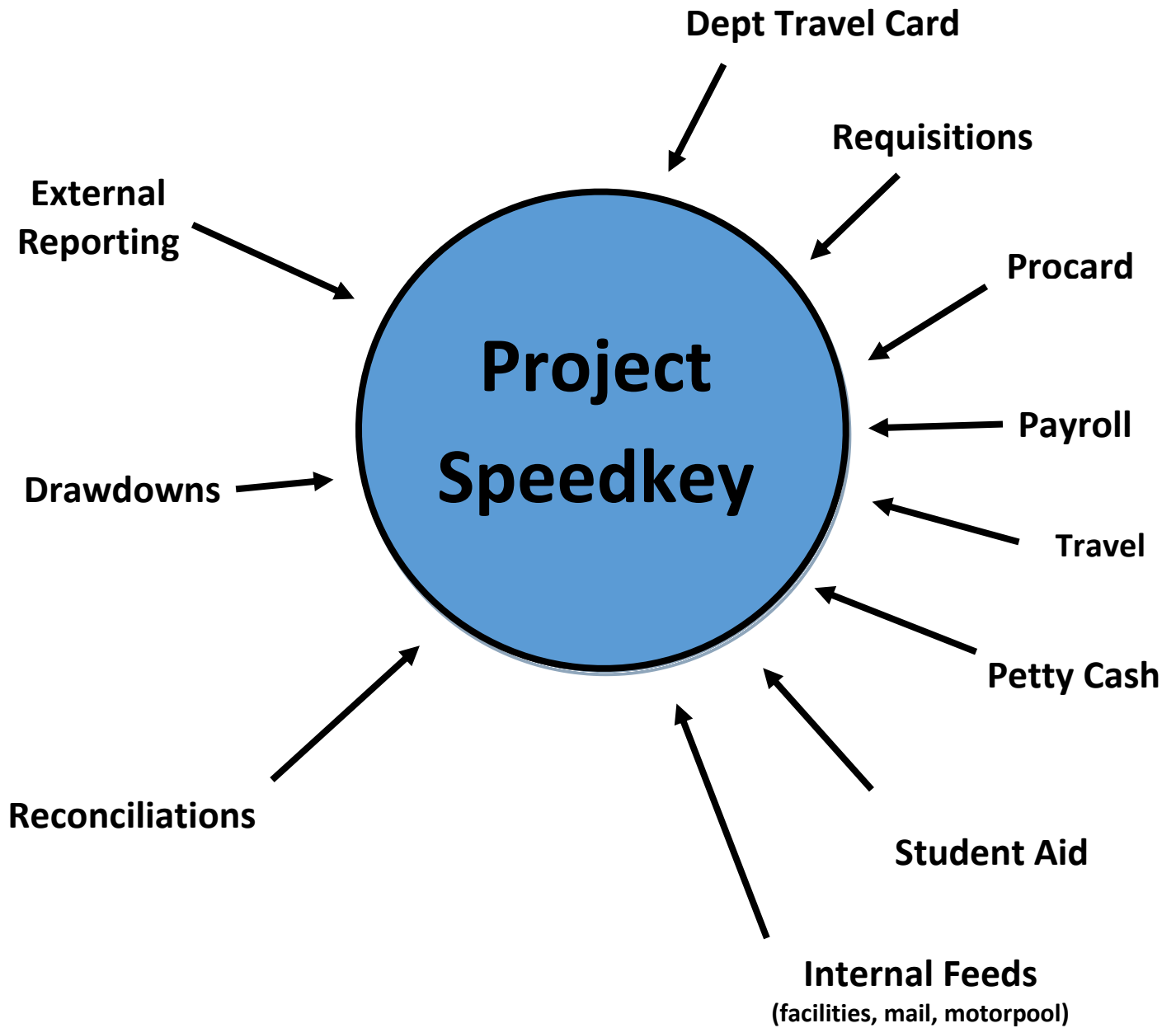
By definition in the Uniform Guidance, "Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved." Appendix III to the Uniform Guidance provides the costs that are generally identified as F&A costs for Institutions of Higher Education. Examples include:

- Administrative/Clerical salaries
- Basic Local Telephone Services On Campus - Basic services include phone installation, monthly line charges, basic instruments
- Routine Copying Charges
- Memberships
- Journals and Subscriptions

# Order of Precedence



# Award Activity



# Project Lifespan

