



## ***DIRECT COSTING POLICY***

### ***Policy 4.10***

Responsible  
Executive: Doug  
Knerr

Originally Issued:  
December, 18, 2013

Revised:

Effective date:  
December, 18, 2013

---

### ***Policy Statement***

---

Direct costs are those costs that can be identified specifically with a sponsored project or assigned to the project with a high degree of accuracy. Costs incurred for the same purposes in like circumstances must be treated consistently, as either direct costs or Facilities & Administrative (F&A) costs. Only costs allowable by OMB Circular A-21 may be charged to a federal project. Therefore, the costs on sponsored projects must meet all the following conditions:

- The cost must be reasonable and necessary for the performance of the project. A prudent person conducting the work would spend funds in this manner under the same circumstances.
- The cost must be allocable to the project, meaning the goods or services involved are chargeable to the project in relation to the benefits received. If the cost benefits more than one project, each project may be charged only for that portion of the costs representing the benefit received by the project.
- Direct charges to federal projects must be applied consistently in like circumstances as a direct charge for all federal projects. A particular cost item may not be charged as a direct cost on projects and as F&A in other circumstances, unless the cost meets the allowable exceptions.
- A project may not be directly charged for any item specifically disallowed by OMB Circulars, agency-specific guidelines, the award document or institutional policy.

#### **Examples of Unallowable Charging Practices**

- Assigning charges to sponsored projects in advance of the time the cost is incurred.
- Assigning charges that are part of the normal administrative support for contracts and grants (proposal preparation, accounting, payroll, etc.)
- Charging the budgeted amount rather than charging an amount based on actual usage.
- Charging a cost exclusively to a sponsored project, when it also benefits non-sponsored activity.
- Charging overdraft expenses or deficits from one project to another.
- Charging travel costs for employees not specifically identified as working on the project.

- Charging ending sponsored projects to expend funds without regard to the benefit derived from the cost.
- Identifying a cost as something other than what it actually is, such as classifying an item of equipment as a supply.

### **Unallowable Costs on Federal Awards**

Expenses unallowable for federal reimbursement include:

- Advertising for purposes other than recruitment
- Memorabilia or promotional materials
- Gifts and cash donations
- Alcoholic beverages
- Entertainment
- Fundraising or lobbying costs (including travel and meals)
- Non-travel status meals where the primary objective is an unallowable activity or purpose
- Fines and penalties
- Certain travel costs, e.g., first-class travel
- Memberships in civic, community or social organizations, or dining or country clubs
- Goods or services for the personal use of employees, including home internet service, automobiles, etc.

---

### ***Reason for Policy***

---

In order to comply with Office of Management and Budget (OMB) Circular A-21 requirement for costing on federally funded projects Roosevelt University has established the following policy for charging costs to sponsored projects. It is the responsibility of principle investigators, project directors, and administrators to understand and comply with institutional, sponsor, and federal regulations.

---

### ***Entities Affected by this Policy***

---

This policy applies to all principle investigators, project directors, and administrators of federal, state, local and private grant sources.

---

### ***Web Address***

---

To be completed by the President's Chief of Staff.

---

### ***Implementation***

---

#### **Policy for Allowable Costs Charged Directly or through the F&A Rate**

In order to comply with the federal implementation of OMB Circular A-21 and the Cost Accounting Standards Board requirements, the policy is to charge the following types of

costs as either Direct or Indirect (F&A). Questions regarding normally indirect cost items should be directed to Sponsored Research.

Direct Costs	Normally F&A Costs
Non-administrative salaries, wages and fringe benefits:  Project Directors/Principal Investigators  Researchers  Graduate Assistants	Administrative salaries, wages and fringe benefits:  Accountants  Secretarial & Clerical  Departmental Administrators
Project consultants	
Travel – related to a project for employees paid or cost shared on the sponsored project	Travel – unrelated to a sponsored project
Long distance telephone charges	Telephone line charges, cell phones, and pagers
Laboratory, technical or scientific supplies	Office supplies, data processing supplies
Programmatic and training resources	
Maintenance of equipment purchased with project funds	Repair and maintenance on equipment purchased with institutional funds; unless charged as part of an approved service center rate
Proportional cost of the repair of equipment which is being dedicated to project activities.	
	Subscriptions
Advertising for project related recruitment	Advertising for non-recruitment
	Institutional memberships
Approved service/recharge center charges, animals and animal care charges, multimedia center, housing charges, shared resources, etc	
Mass mailings required for projects	General postage
	Janitorial supplies
Research equipment identified specifically with a project	General purpose equipment or furniture– typewriters, computers, audio-visual equipment, copiers, desks, chairs, bookcases, file cabinets, etc
Subawards/subcontracts for work necessary under a sponsored agreement	

## Charging Normally F&A Costs to Sponsored Projects

OMB A-21 allows for the direct charging of F&A costs in certain situations where major projects or programs place substantial administrative burdens on the university. Therefore, project budgets may include direct charges for F&A costs provided ALL of the following conditions are met:

- The costs are readily identified with the project with a high degree of accuracy.
- The costs are incurred for a different purpose or circumstance as described below.
- The costs are explicitly budgeted. For proposal submissions, the costs are identified as a normally F&A costs and justification is presented for the different treatment of the cost.

OR

- The costs are incurred on non-federally funded projects and are not prohibited by the sponsor.

## Examples of Major Projects Where Direct Charging May Be Appropriate

The following are examples of situations where direct charging may be appropriate:

- Large complex programs such as those conducted by research centers and other contracts and grants that entail assembling and managing teams of investigators from a number of institutions.
- Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature and reporting.
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine technical reports).
- Projects that are geographically inaccessible to normal departmental administrative services.
- Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications.
- Community service and outreach projects whose primary purpose is the enhancement of quality of life through education, service, or continuing education.
- Training or community outreach grants whose primary purpose is education.
- Project supported by non-federal funding, where the cost is not prohibited by the sponsor.

## Procedure for Approval of Normally F&A Costs as a Direct Cost

***Approval Concurrent with Award Issuance.*** When the cost is identified in the proposal submitted to the sponsoring agency as a normally indirect cost and a written justification is presented supporting the cost as being incurred for a different purpose, the cost shall be budgeted as an allowable cost.

***Approval After Award Issuance.*** If a normally indirect cost item is identified as necessary for a federally funded project subsequent to award issuance, a rebudgeting request should be submitted identifying the item needed and presenting a justification that clearly documents the unlike circumstance that make the cost allocable as a direct cost to the sponsored project. Upon review of the justification, Sponsored Research will make a determination as to whether a reasonable justification exists to charge an F&A item as a direct charge. The explanation submitted by the project director/principle investigator will be maintained by Sponsored Research as justification for audit purposes. In the event Sponsored Research does not approve the rebudgeting request for a normally indirect cost item, the investigator can upon the submission of a written appeal to Sponsored Research, request Finance provide a final review and decision regarding the request.

***Charges Not Explicitly Budgeted.*** Charges for items that are normally indirect which have not been explicitly budgeted on a project will be transferred to an institutional account and will not be billed to the sponsor.

---

## ***Online Resources and Forms***

---

OMB [Circulars A-21,A-110](#)