

Direct Charging

Overview:

Rensselaer certifies to the federal government that its faculty, staff and students, when dealing with federal and other sponsored funds, comply with all government and sponsor rules and regulations and follow established standards for determining when it is appropriate to propose and, if approved, directly charge costs normally considered facilities and administrative (F&A) costs to a sponsored project.

These procedures have been established to meet the compliance standards as set forth in Office of Management and Budget (OMB) Circular A-21 (A-21) *Cost Principles for Educational Institutions* for defining, charging and accounting for direct and facilities and administrative (F&A or indirect) costs to sponsored funds (see related [Table below](#) and [Flow Chart](#) attached).

Definitions:

Direct Costs are expenses that can be identified specifically with a particular sponsored project or other direct cost objective, such as Auxiliary Activities or Instruction, or expenses that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Examples of costs that provide direct benefit to a sponsored project's scientific or technical scope of work:

- Salaries and related benefits of faculty, research associates, graduate students and technical personnel;
- laboratory supplies (e.g. chemicals);
- telephone toll charges;
- animals and animal care costs;
- travel required for the project.

Facilities & Administrative Costs are those that are incurred for common or joint objectives and therefore cannot be identified readily with a particular sponsored project. Facility & Administrative (F&A) costs are sometimes called indirect costs or overhead costs.

Examples of costs that cannot be identified readily with a sponsored project:

- salaries of administrative and clerical staff;
- office supplies;
- postage and photocopying;

- local telephone costs;
- memberships and subscriptions.

In general, expenses are chargeable as direct costs to sponsored awards only if they are:

- **Reasonable** - A prudent person would have purchased this item and paid this price.
- **Allocable** - Expenses can be allocated to the government activity based on benefit derived, cause and effect, or other equitable relationship.
- **Consistently Treated** - Like expenses must be treated the same in similar circumstances.
- **Allowable** - Allowable or not unallowable as specified by sponsor regulations. (A-21, Section J)

If an expense cannot meet the above criteria, it is not eligible to be charged directly to a grant or contract no matter what its purpose.

NOTE: Agencies that sponsor grants and contracts use the term allowable to mean permitted as a direct cost under the terms of a specific grant or contract. Expenses which are generally allowable for sponsor reimbursement may not necessarily be permitted under the terms of a specific grant or contract.

Procedures:

Costs normally treated as F&A costs cannot be charged directly to a sponsored project unless the specific activities related to the project are clearly different in type or significantly different in scale from the Institute norm. Costs normally charged as F&A costs may be charged directly when "unlike or unusual" circumstances exist. These costs may be included in the proposal budget if the intended use is for project specific activities that are clearly justified in terms of their relevance to the methods used in conducting the research. When costs that are normally administrative F&A costs are planned and used for a project's technical scope of work, they must be specifically identified, included and justified in the budget and not specifically disapproved by the sponsor.

The Institute expects the Principal Investigator or designee to:

- exercise prudent judgment in identifying situations where "unlike or unusual" circumstances exist;
- ensure that an adequate process is in place to document the "unlike or unusual" circumstances.

Criteria for determining the appropriateness of budgeting and charging normally F&A costs as direct costs to sponsored agreements are:

- size, nature, and complexity of the sponsored project;

- unique requirements for extensive administrative and clerical support, office supplies, postage and/or local telecommunications costs (e.g., monthly recurring costs, surcharges for local calls) substantially beyond those normally provided by academic units, when:
 - costs (activities) are required by and can be specifically identified with the objectives of the project (e.g., salaries of clerical staff, postage, and local telephone costs for a program requiring surveys by mail and by telephone);
 - costs are explicitly budgeted and justified in the proposal;
 - the sponsoring agency accepts the proposed cost, as part of the project direct cost budget (i.e., does not specifically disapprove the cost in the award or other notification to the university).

The following represents key questions related to the inclusion and justification of normally F&A costs on sponsored projects. To justify administrative charges the Principal Investigator or designee should ask the following questions:

- Because all projects require a certain amount of account reconciliation, correspondence, phone calling, office supplies, etc., how will the proposed charge(s) differ from the standard level of support expected for all projects?
- The job title or payroll classification may imply administrative work is being conducted. How will the nature of the work differ from general administrative work conducted for all projects and why are the charges necessary to meet the technical purposes of the award rather than to support the administrative needs?
- The cost category, e.g., supplies, may imply that the items are being used for administrative purposes. How will these items be used to meet the technical needs of the project and what is their relevance to the methods used in conducting the project?
- How will the proposed charges be accurately documented and assigned to the project with a high degree of accuracy? (e.g., an administrator working full-time for a project can be allocated easily and accurately to the project. However, if that person works on five or more projects, it will be difficult to accurately document the relative benefit to any specific project.)
- How does the charge meet a specific need of the project, i.e., the benefit derived by the project as a result of it being directly charged to the project?

Administrative and Clerical Effort

To charge administrative and clerical effort to the project, the effort must be:

- required to complete the specific and distinctive requirements of a particular sponsored project (or group of sponsored projects); and

- not routine administrative work that benefits multiple activities of the unit.

Examples:

- The nature of the work performed under a particular sponsored project is directly related to the technical substance of the project, e.g., individual(s) collecting data, maintaining subject data, conducting phone surveys, scheduling visits, etc.
- On an NSF research center or NIH program project grant, the administrative/clerical effort is documented in the proposal as part of the scope of work, and is approved by the sponsor.

Office Supplies

Office supplies that are normally used in the general administrative support of a project may not be included in the budget or charged to the award. Office supplies that are used for project-specific activities outlined in the proposal may be included in the budget and charged to the project. Because many items of office supplies are used for both general administrative support and project-specific activities, it is important that these items, when included in the budget, be justified in terms of their relevance to the methods used in conducting the project. Examples of when supplies may be charged directly are:

- Envelopes used to mail an unusually large number of research questionnaires;
- Folders for filing survey responses and/or lab results;
- Data storage media if the project involves extensive data accumulation and analysis.

Local Telephone Costs

Local telephone rentals used to conduct routine business of the project may not be included in the budget. Telephone lines, including data lines, modems and telephones, may be charged directly if required to:

- Conduct surveys;
- Maintain contact with project activities conducted at remote locations.

Cell Phones and Pagers

Cell phone and pager expenses are usually considered “local telephone costs” and may not be included in the budget if they are used to conduct routine business of the project. An example of when these devices may be directly charged is:

- Maintain contact at remote sites for logistical or safety reasons.

Postage Costs

Postage costs may be included in the budget and directly charged for when related to the conduct of the study. Examples are:

- Shipment of research materials and deliverables to perform the project's scope of work;
- Correspondence with the sponsor and/or project participants;
- Dissemination of surveys and/or materials produced as a result of the project activities.

Photocopies

Ordinary photocopies that used in general administrative support of a project may not be included in the budget unless it is project specific and can be tracked.

Procurement Card Purchases

Procurement card purchases may be direct charged if the expense is allowable, allocable, and reasonable. Sponsored funds may not be used as default funds unless the fund is a major program or Center award.

Memberships

Memberships in professional and scientific organizations may not be included in the budget unless:

- The membership is the only means of obtaining a specific journal or periodical directly related to the project;
- The membership is required to attend a conference which is part of the sponsored project;
- The membership results in reduced conference registration fees or other associated costs and is charged to the same sponsored project (savings must be greater than or equal to the membership cost).

Major Project Definition

Direct charging of normally F&A costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. "Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. The following examples are drawn from OMB. The list is not intended to

be exhaustive, nor is it intended to imply that direct charging of administrative or clerical support would always be appropriate for the situations illustrated:

- 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;
- Projects which 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;
- 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 progress and technical reports);
- Projects that are geographically inaccessible to normal departmental administrative services, such as seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus;
- Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, IRB preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications.

Computers and Laptops

General-purpose computers—especially laptops—can be used to support a variety of activities and are rarely dedicated to one specific purpose. As a result, general-purpose computers and laptops are typically F&A costs and are seldom proposed in budgets or directly charged to awards. To be considered as direct costs, computers must be:

- necessary to fulfill the project’s scope of work;
- fully described and justified in the proposed narrative and budget;
- approved by the sponsor; and
- specifically identified with and used exclusively on the project.

For example, computers that are attached to equipment necessary to analyze data pursuant to a project’s scope of work or laptops that are used to conduct tests/interviews with subjects in remote locations can be justified as direct charges on federal awards. Documentation supporting computer purchases must:

- describe how the computer directly benefits the project;
- describe how it is unlike a general-purpose item; and
- be retained for audit purposes.

To maintain its allowability, a computer must be used primarily (at least 95%) on the award. Incidental use should *never* cause the computer to be removed from the project location.

Software, upgrades, computer supplies, etc. purchased on federal awards must be likewise necessary for the conduct of the research and conform to these requirements. A computer may be allocated to one or more sponsored projects unless the sponsor’s terms and conditions prevent such an allocation.

As supplementary guidance, below are some policy statements about GENERAL PURPOSE EQUIPMENT and COMPUTERS excerpted from NSF, NIH, and NASA--federal agencies that fund research at Rensselaer. (Laptop and desktop computers are considered “general purpose equipment” even though they fall below Rensselaer’s equipment capitalization threshold).

NSF Proposal and Award Policies and Procedures Guide

GENERAL PURPOSE EQUIPMENT: Expenditures for general purpose equipment are unallowable unless the equipment is **primarily or exclusively** used in the actual conduct of the research.

NIH Grants Policy Statement

GENERAL PURPOSE EQUIPMENT: permanent equipment that is usable for other than research, medical, scientific or technical activities, whether or not special modifications are needed to make it suitable for a particular purpose. Examples of general purpose equipment include office equipment and

furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles and computer equipment.

DIRECT COSTS AND FACILITIES AND ADMINISTRATIVE COSTS

Project costs consist of the allowable direct costs **directly** related to the performance of the grant plus the allocable portion of the allowable F&A costs of the organization, less applicable credits (as described below and in the cost principles). A direct cost is any cost that can be **specifically identified** with a particular project, program, or activity or that can be directly assigned to such activities relatively easily and with a high degree of accuracy. Direct costs include, but are not limited to, salaries, travel, equipment, and supplies directly benefiting the grant supported project or activity.

NASA Guidebook for Proposers

GENERAL PURPOSE EQUIPMENT (i.e., personal computers and/or commercial software) is not allowable as a direct cost unless **specifically** approved by the NASA Award Officer. Any general purpose equipment purchase requested to be made as a direct charge under this award must include the equipment description, an explanation of how it will be used in the conduct of the research proposed, and a written certification that the equipment will be used **exclusively** for the proposed research activities.

The need for general purpose items that typically can be used for research and nonresearch purposes should be explained.

PURCHASE OF PERSONAL COMPUTERS AND/OR SOFTWARE. Such items are usually considered by NASA to be general purpose equipment that must be purchased from general, organizational overhead budgets and not directly from the proposal budget unless it can be demonstrated that such items are to be **used uniquely and only for the proposed research.**

NORMALLY DIRECT *	NORMALLY F&A
<p>Data Communication</p> <p>Wide area network usage necessary to meet the goals of the project (must be specifically budgeted, justified, and approved (or not specifically disapproved) by the sponsor).</p>	<p>Data Communication</p> <p>Backbone/wireless services, port fees, wide area network usage related to administrative activities, internet services.</p>
<p>Dues and Memberships</p> <p>Directly related to the project.</p>	<p>Dues and Memberships</p> <p>Dues/memberships (other than those specifically required) in business, professional and technical organizations; subscriptions.</p>
<p>Equipment</p> <p>Scientific and technical computer costs including software, supplies and services.</p>	<p>Equipment</p> <p>General purpose equipment.</p>
<p>Postage</p> <p>Shipment of research materials and deliverables.</p>	<p>Postage</p> <p>General purpose, including express delivery.</p>
<p>Repair and Maintenance</p> <p>Maintenance agreements related to scientific and technical equipment.</p>	<p>Repair and Maintenance</p> <p>Buildings, grounds, building equipment, remodeling</p>
<p>Salaries and Wages/Benefits</p> <p>Faculty, technicians, research associates and assistants, including graduate research assistants and other students performing scientific or technical work, post doctoral associates and other technical and programmatic personnel necessary to meet the goals of the project.</p>	<p>Salaries and Wages/Benefits</p> <p>Administrative and clerical positions such as administrative assistants, accountants, office personnel, including student workers, purchasing agents and buyers; administrative activities of directors and assistant and associate directors, executive assistants, and other administrators.</p>
<p>Services</p> <p>Consultant's fees, printing, reprints and page charges, photography and photocopy charges. Repairs and maintenance (related to scientific and technical equipment).</p>	<p>Services</p> <p>Legal and financial services, insurance, general recruitment advertising. Repairs and maintenance (facilities and general purpose equipment). Administrative computing. Sanitation services including hazardous waste.</p>
<p>Supplies</p> <p>Laboratory and scientific supplies, chemicals, glassware, field supplies, compressed gases and liquids, radioactive material, software, animals.</p>	<p>Supplies</p> <p>Office Supplies, custodial supplies, parts and supplies associated with repair and maintenance of general purpose equipment and facilities, paper, forms, general purpose books and reference materials.</p>
<p>Telephone</p> <p>Telephone (including FAX) toll charges.</p>	<p>Telephone</p> <p>Recurring basic service, installation and maintenance, cell phones, pagers.</p>
<p>Travel</p> <p>That which is required to carry out the objectives of the sponsored project.</p>	<p>Travel</p> <p>That which is related to administrative activities.</p>
<p>* While the information on this page is accurate, there are exceptions to some of the items for entities like Centers and will be handled on a case by case basis.</p>	