BASICS OF CHARGING COSTS TO A SPONSORED PROJECT

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I. Introduction

Understanding what costs may be charged to sponsored projects requires a basic understanding of cost principles. Federal regulations require recipients of federal funds to establish consistent practices for charging costs as either a direct or indirect cost. The primary source of guidance on matters of costs on sponsored project awards is 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which became effective on December 26, 2014 (referred to herein as the “Uniform Guidance”).

As a recipient of federal funding, Boise State University ("University") complies with these regulations, and this guidance is designed to provide assistance to campus in making appropriate decisions about charging costs to sponsored projects. The University delegates considerable authority and responsibility for fiscal compliance to Principal Investigators ("PIs") and their departments and college support staff, and as such, it is their responsibility to understand and comply with the Uniform Guidance.

II. Cost Definitions

A. Direct Costs

Direct costs are costs that can be identified specifically with a particular sponsored project or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

B. Facilities & Administrative (F&A) Costs or Indirect Costs

F&A costs are those costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project.

C. Unallowable Costs and Activities

Unallowable costs and activities cannot be directly charged to a federal contract, grant or cooperative agreement, and they cannot be included in F&A rate calculations.

D. Cost Allocation

Cost allocation is the process of assigning a cost to one or more projects in a reasonable proportion to the benefit provided to each project. Costs are allocable if the goods or services being charged are assigned in accordance with the relative benefits received by the project.

III. Basic Cost Principles

The cost principles providing the framework for what can be charged or what costs are allowable on a sponsored project can be found in Subpart E, Cost Principles, of the Uniform Guidance. The basic cost principles tell us that costs must be:
A. Reasonable (200.404)

A cost is reasonable if, by its nature and amount, does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

B. Allocable (200.405)

A cost is allocable to a sponsored project if:

i. it is incurred solely to advance the work under the sponsored agreement; or

ii. It benefits both the sponsored project and other work of the institution in proportions that can be approximated through use of reasonable methods. See Part VII of this guide for additional information about allocating costs.

iii. Allowable (200.403)

A cost is allowable on a sponsored project if it is:

i. Consistently treated throughout the University;

ii. Compliant with federal, state, local laws, and any limitations or exclusions set forth in the particular award's terms and conditions;

iii. Documented;

iv. Not used as cost-share on other projects; and

v. Necessary for the performance of the award.

IV. Treatment of Select Cost Items

A. Administrative and Clerical Salaries (200.413(c))

The University normally treats these costs as indirect costs. Direct charging of these costs may be allowable only if all of the following conditions are met:

i. Administrative or clerical services are integral to a project or activity;¹

ii. Individuals involved can be specifically identified with the project or activity;

iii. Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and

iv. The costs are not also recovered as indirect costs.

¹“Integral” is defined as essential to the project’s goals and objectives, rather than necessary for the overall operation of University.
All requests for administrative and clerical salaries must be included in the proposal budget with an explanation of how the services are integral to the project. If administrative or clerical expenses are identified after an award is received, prior approval must be obtained from the sponsor. Such requests must be signed by a representative of the Office of Sponsored Programs (“OSP”).

You may not include the salaries of administrative personnel conducting such activities as financial reconciliations, general office clerical work and proposal preparation. Examples of projects where administrative and clerical costs could be included as direct costs in a proposal, with proper justification, include, but are not limited to:

i. Large, complex programs, such as program projects, research centers, and other similar sponsored projects that require significant administrative management;

ii. Projects that involve extensive data accumulation, data analysis, surveying, and tabulation;

iii. Projects with complex project management requirements, e.g., managing multiple subawards; and

iv. Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences.

Costs for managing substances and chemicals, securing project-specific data, or coordinating research subjects, are not considered “administrative and clerical.” Therefore, these costs may be directly charged to a project without obtaining prior approval, provided that they are directly related to work under a federal award and meet all the standard costing requirements. See Section B.6.b to Appendix III to the Uniform Guidance.

The following tasks are considered routine administrative activities and should not be charged as direct costs to a sponsored project:

i. General departmental administration;

ii. Personnel Activities/Payroll/Human Resources;

iii. Accounting and budgeting activities;

iv. Financial monitoring;

v. Processing vouchers and payments;

vi. Administrative data entry;

vii. Processing and tracking routine purchase orders; and

viii. Miscellaneous departmental activities.
B. Computing Devices (200.20, 200.58, 200.94)

Computing devices are defined as machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories / peripherals for printing, transmitting and receiving, or storing electronic information.

Computing devices should be included under the budget category “Other Expenses” in proposals. Computing devices costing less than $5,000, which are essential and allocable (even if not solely dedicated to the performance of a federal award), may be charged 100% to an award, or may be allocated to several awards. While no prior agency approval is required, computing devices should be itemized in the proposal budget. In addition, the project must not have reasonable access to other devices that can achieve the same purpose. Devices may not be purchased for reasons of convenience or preference.

C. Conferences (200.432)

The Uniform Guidance defines a “Conference” as meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the University and is necessary and reasonable for successful performance under the sponsored award. Allowable conference costs when the University acts as a conference sponsor or host include:

i. Rental of facilities;

ii. Speakers’ fees;

iii. Costs of meals and refreshments served at the conference;

iv. Local transportation;

v. Other items incidental to the conferences, unless restricted by the award terms and conditions; and

vi. As needed, the costs of identifying (but not providing) locally available dependent-care resources.

Networking and social activities pre- or post-conference are considered entertainment costs and are unallowable on sponsored projects unless the sponsor has provided written approval for this type of event.

D. Entertainment Costs (200.438)

Entertainment costs are allowable only when the cost has a programmatic purpose to the award, and is authorized either in the approved budget or with the prior written approval of the federal awarding agency. In all other cases, costs of entertainment, including amusement, and social activities, and any associated costs are unallowable.
E. Goods or Services for Personal Use (200.445)

Costs of goods or services for personal use are unallowable regardless of whether the cost is reported as taxable to the employee.

F. Memberships and Subscriptions (200.454)

The costs of the University’s membership in business, technical, and professional organizations, and subscriptions to business, technical, and professional periodicals are allowable when they provide a direct benefit to the project. The cost of memberships in any civic or community organization is allowable with the prior approval of the federal awarding agency or pass-through entity. These costs must be itemized in the budget and described in the budget justification, or receive prior written approval from the sponsor before the incurrence of such costs.

Membership fees or dues, such as airline, social, dining and country club dues, cannot be charged directly to federal or non-federal sponsored projects.

G. Laboratory Supplies

Lab supplies that are project-specific may be charged to a sponsored project. Examples of allowable lab supplies might include lab notebooks, glassware, chemicals and syringes. Lab supplies are frequently used for multiple projects and, therefore, require the costs to be appropriately allocated. See Part VII of this guide for more information.

H. Office Supplies

Office supplies (pens, pencils, paper, staples, clips, binders, folders, toner cartridges, etc.) are normally indirect costs, as they are used for routine activities of the University. Exceptions may be allowed as direct costs when the purchase of supplies is extensive and is specifically identified to the purpose of the project. An example might be purchasing envelopes to mail a large number of questionnaires.

I. Participant Support Costs (200.75, 200.456, 200.68)

Participant Support costs are allowable with prior written approval from the sponsor. These costs should be explicitly listed in the proposal budget or approved by the funding agency after the award has been made. Participant Support costs include stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects. Participant Support costs are not routinely allowed on research projects, but can be charged if the project includes an education or outreach component and the agency approves such costs. Participant Support costs do not include payments to individuals involved in human subjects testing.

Under the Uniform Guidance, Participant Support costs should be excluded from the Modified Total Direct Cost (“MTDC”) calculation.

J. Postage

Postage for general business use may not be charged to a sponsored project. These costs are typically indirect costs. However, when a project has postage requirements that are
related to its scope of work, goals and activities, they may be allowable. An example might be a project that includes the dissemination of surveys or materials produced as a result of the project activities. Postage to mail the surveys would be allowable.

K. Proposal Costs (200.460)

The cost of preparing proposals or applications to sponsoring agencies is not allowable as a direct cost. This includes the development of data necessary to support the proposal.

L. Telephone Costs

Communication costs incurred to support routine activities of the University are not allowable as a direct charge to a sponsored project. Some exceptions might be long distance charges to contact research subjects, or setting up and maintaining a hotline if that is specifically required by the project.

M. Travel & Dependent Care Costs (200.474)

Travel costs include expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official University business. They are allowable on sponsored awards when participation is necessary for the project, and the costs are reasonable and consistent with University’s documented travel policies. The University’s travel policy does not allow for the reimbursement of dependent care costs while traveling. Since the Uniform Guidance requires consistent treatment across all fund types, these dependent care costs remain unallowable on sponsored awards at the University.

N. Visas, Short-term (200.463(d))

Short-term visas (as opposed to longer-term immigration visas) are issued for a specific period and purpose, and therefore can be clearly identified as directly connected to recruitment of personnel for a federal award. For the costs to be directly charged to a federal award, they must be critical and necessary for the conduct of the project.

V. Certain Unallowable Activities and Related Costs

A. Alumni activities;

B. Organized fundraising;

C. Lobbying;

D. Commencement and Convocation;

E. General public relations and alumni activities;

F. Student activities such as intramural activities and student clubs;

G. Managing investments solely to enhance income;
H. Prosecuting claims against the federal government;

I. Defending or prosecuting certain criminal, civil, or administrative proceedings;

J. Housing and personal living expenses; and

K. Selling or marketing of goods and services (does not include selling goods or services internally to Recharge Centers).

VI. Certain Unallowable Practices

The following practices are not allowable:

i. Purchasing items simply to exhaust funds;

ii. Charging an expense exclusively to a single award when the expense supported other activities;

iii. Assigning charges to an award before a cost is incurred without prior approval from the sponsor; and

iv. Transferring a cost overrun from one sponsored project to another.

VII. Cost Allocation

A. Cost Allocation Methodologies (200.405)

i. Proportional Benefit Method

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.

Example: A PI has two awards which require the purchase of mice to conduct experiments. The specific aims for one award indicate 150 mice are needed to conduct the research and the specific aims of the second award require 50 mice to conduct the research. The PI orders 200 mice and allocates the cost of the mice 75% and 25% between the awards, respectively.

ii. Interrelationship Method

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 benefiting projects on any reasonable and documented basis.

B. Cost Allocation Examples

There are a number of possible ways to allocate costs. These might include basing allocation on the number of employees and effort contributed to a project and the number of experiments. Examples are listed below:
i. **Example 1** – The cost of lab supplies allocated based upon the quantity used on each project.

A PI uses 5 gallons of solution per month on Project A and 7 gallons of the same solution per month on Project B. The department orders 12 gallons of solution per month at $7.99 per gallon (including tax and shipping). The total cost is $95.88. Project A should be charged $39.95 ($7.99/gallon x 5 gallons) and Project B should be charged $55.93 ($7.99/gallon x 7 gallons).

ii. **Example 2** – The cost of syringes allocated based upon the number of experiments using the syringes performed on each project.

A PI uses syringes to conduct experiments on two research grants. The syringes are only good for one experiment and then they must be thrown away. The PI keeps a log of how many experiments are performed on each project per week. Syringes are ordered every two weeks at $1.05 per syringe. The log indicates the following:

- **Project A:**
  - Week 1: 25 Experiments
  - Week 2: 39 Experiments

- **Project B:**
  - Week 1: 19 Experiments
  - Week 2: 16 Experiments

The total cost of the syringes is $103.95 (99 experiments x $1.05/syringe). Project A should be charged $67.20 (64 experiments x $1.05/syringe) and Project B should be charged $36.75 (35 experiments x $1.05/syringe).

iii. **Example 3** – The cost of lab supplies proportionately allocated based upon the PI’s percentage of effort charged to each project.

The PI spends 70% effort on Project A and 30% effort on Project B. The PI uses lab supplies totaling $6,000/month on the two projects. Project A should be charged $4,200 (70% of $6,000) and Project B should be charged $1,800 (30% of $6,000).

C. **Cost Allocation Best Practices**

i. It is the responsibility of the PI and her/his department and college support staff to document and retain records for the allocation of costs.

ii. Allocation methodologies must be documented and auditable. Documentation should include support for the specific costs allocated and indicate how the allocation methodology is logically related to the cost being allocated. This support should be retained by the department and made available for review for at least three years after the end of the awards charged per 2 CFR § 200.333.

iii. Allocation methodologies should be reviewed periodically to ensure they are reasonable.
iv. There are some general supply items necessary for lab operations that are not normally allowed as direct cost to federally sponsored projects. These costs can be too burdensome to allocate with ease and accuracy and, for that reason, should normally be supported by non-sponsored sources. Here are some examples: pens, pencils, sharpies, notepads, staples, paper clips, labels, scotch tape, toner cartridges, lab coats and cleaning supplies.