University of Colorado at Boulder
Graduate School Policy Statement

Title: Direct Cost Policy
(Direct Charging of Costs to Sponsored Projects)

Date: May 15, 2003
Replaces University of Colorado at Boulder
September 14, 1999 Graduate School Policy Statement
Direct Charging of Costs to Sponsored Programs
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1. Background Information

In accepting a sponsored project, principal investigators, project directors, departmental administrators, and the University of Colorado at Boulder (CU-Boulder) agree to follow the cost principles defined by the sponsoring agency. At CU-Boulder, since approximately 90% of sponsored project funding comes from federal agencies - either directly or in the form of a subaward from another university or organization - federal guidelines are used. However, some awards (for example those from private funding sources) may have more stringent restrictions regarding direct costs than the federal guidelines used in this policy. Thus, it is imperative that the direct cost information contained in each and every award agreement be understood and followed.

2. Pertinent Regulations

Federal projects are governed by the cost principles outlined in the following:

OMB Circular A-21 The full name of this circular is *Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions*. *A-21* establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. *A-21* can be viewed in its entirety on the Web at http://www.whitehouse.gov/omb/circulars_default/.

Cost Accounting Standards Board CASB is an independent board within the Office of Management and Budget's Office of Federal Procurement Policy. CASB has exclusive statutory authority to make, promulgate, amend, and rescind cost accounting standards in

order to achieve uniformity and consistency among government contractors. The May 1996 revision to *A-21* requires that all grantees be subjected to the following four cost accounting standards.

Cost Accounting Standard 501, Consistency in Estimating, Accumulating, and Reporting Costs This standard requires that institutions have systems in place that provide for consistent costing practices in estimating, accounting, and reporting costs. Practically, this means that an institution's accounting system should be able to support the proposal budget and award reporting details required by federal agencies.

Cost Accounting Standard 502, Consistency in Allocating Costs Incurred for the Same Purpose. This standard requires that institutions maintain the consistency requirements already in place in *A21* by using the same cost categories, including consistent placement of costs as direct or indirect. The standard applies to costs charged as well as to cost sharing.

Cost Accounting Standard 505, Accounting for Unallowable Costs. This standard requires that institutions have a system in place to identify unallowable costs and to exclude them from any charges made to the government, whether direct or indirect.

Cost Accounting Standard 506, Cost Accounting Period. This standard requires that the cost accounting period used be consistent with an institution's fiscal year and reflect current practice.

Note: It is possible for an individual grant or contract award to include restrictions that are more stringent than those normally required by federal agencies. Thus, it is imperative that the terms and conditions of **each and every award** be reviewed and understood by the involved principal investigators, project directors, and departmental administrators.

3. Applicability

This policy applies to all CU-Boulder FOPPS in Fund 30 and Fund 31.

4. Purpose

The purpose of this policy is to

1. Define which costs are normally allowable as direct costs,
2. Insure consistent treatment of costs incurred and charged directly to sponsored projects under like circumstances, and
3. Provide guidance on when circumstances may be sufficiently different to allow charging an item, which is normally treated as an F&A cost, as a direct cost.

5. Policy

Sponsored projects may be charged directly for costs that are **allowable, allocable, reasonable, treated consistently, in conformance with exclusions and limitations in A21 or in the sponsored agreement, timely,** and **of benefit** with regard to the respective project. Furthermore, all costs charged directly to a sponsored project are subject to audit by the respective funding agency or other audit agencies. The primary responsibility for the sound fiscal management, as well as the programmatic direction, of a sponsored project belongs to the individual faculty member who is the grant or contract principal investigator or project director. It is the responsibility of the principal investigator or project director to ensure that only valid, direct costs are charged to a sponsored project.

6. Definitions

Direct Cost: Per *A21*, a direct cost is one that can be identified specifically with a particular sponsored project, or that can be directly assigned to a particular sponsored project, relatively easily and with a high degree of accuracy. A direct cost is one that is of distinct and genuine benefit to the work of the project. For example, in order to charge a cost directly to a project, the goods/services have *to be used on the project, be permitted by the sponsor, be incurred during the period of performance, and be treated as a direct cost when incurred for the same purpose in like circumstances.* It is not permissible to charge a project for goods/services that were never used on the project, or that were used on the project but are not allowed according to the terms of the award.

Allowable: An allowable cost is one that is permitted under the terms and conditions, (such as within the project effective dates, in accordance with the approved project budget), of the sponsored agreement. *A21* lists four general tests for allowability. These are:

1. Costs must be reasonable.

   A reasonable cost must be the result of an action that a prudent person would have taken under the prevailing circumstances at the time the decision to incur the cost was made. In addition, a reasonable cost is necessary to the performance of the sponsored agreement.

2. Costs must be allocable.

   Allocability of cost involves an assessment of the relative benefits received from the incurrence of the cost.

3. Costs must be given consistent treatment.

   According to *A21*, where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances must be treated as direct costs of all activities of the institution. Consistent also refers to the costing or pricing methods used by the institution. The institution must use the same costing or pricing methods for all costs. For example, it is not permissible for CU-Boulder to charge

more for a cost assigned to a grant than it charges for that same cost when assigned to a CU-Boulder funded FOPPS.

4. Costs must conform to any limitations or exclusions set forth in *A21* or in the sponsored agreement.

In addition to the criteria associated with allowability of cost, a direct cost must also be

1. Timely

   A timely cost is one that is incurred and charged during the period of the sponsored project.

2. Beneficial

   A cost charged directly to a sponsored project must aid in advancing the work of the project being charged. Furthermore, the cost must be able to be assigned to a sponsored project relatively easily and with a high degree of accuracy.

Facilities and Administrative (F&A or Indirect) Cost: An F&A cost is one that is incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project or institutional activity.

7. Guidelines for Assigning Costs

The **University of Colorado Quick Reference Card** (QRC), which provides a list of the accounts departmental administrators are required to use at a minimum to classify assets, liabilities, revenues, expenses, and cash transfers, indicates whether or not the use of a particular account is permitted in Funds 30 or 31. This resource is located on the Web at https://www.cu.edu/controller/documents/QRC/QRC_Full.pdf. The QRC is also available in printed format from Accounting and Budget Services. To request a paper copy of the QRC, send an e-mail to accounting@colorado.edu stating your name, campus box, and the number needed.

The table on the following pages is designed to supplement the QRC by identifying under what circumstances a cost, which is typically classified as an F&A cost, may be treated as a direct cost on a federal contract or grant. With respect to non-federal projects, in some situations these may be charged for direct costs that are not permitted to be direct-charged to a federal contract or grant. It is imperative that the policies of the respective sponsor be reviewed to determine what costs may be charged directly to a particular non-federal award.

The material provided in the QRC and in the following table is not intended to be all-inclusive. **Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable.** Rather, determination as to allocability in each case should be based upon the treatment provided for similar or related items of cost. The first section of the table addresses salaries, wages, and associated benefits costs. This is followed by a section that addresses costs *other than* salaries, wages, and associated benefits.

Note: There *may* be cases in which the cost provisions of the sponsored agreement differ from the guidelines listed in the QRC or in the following table. In these circumstances, the **guidelines provided in the sponsored agreement** should govern the treatment of costs.

Salaries, Wages, and Associated Benefits

General Budget Descrip-tion	Account	Description of Cost (NOT usually charged directly to a sponsored project) ▪ Additional descriptive information is available on the Quick Reference Card (QRC) located on the Web at : https://www.cu.edu/controller/documents/QRC/QRC_Full.pdf ▪ Note: The QRC is designed to serve as a guideline only. It is possible for an award to have additional stipulations or more stringent restrictions than noted on the QRC.	Explanation of circumstances in which an F&A cost *may* be treated as a direct cost
Salaries & Wages of Officer & Exempt Profes-sional Staff	402600 402700 402800 402900 403100 403200	Off/Prof Ex Regular FT Off/Prof Ex Regular PT Off/Prof Ex Temp FT Off/Prof Ex Temp PT Off/Prof Ex Termination Annual Leave Off/Prof Ex Termination Sick Leave	Refer to Section 8 of this Policy, *Special Considerations Regarding Administrative and Clerical Costs*, for additional information.
Salaries & Wages of Classified Staff	405100 405200 405300 405400 405500 405600 405700 405800 405900	Class Regular FT Class Regular PT Class Temp FT Class Temp PT Class Overtime Class Shift Differential Class Term Annual Lv Class Term Sick Lv LASP Salaries	Refer to Section 8 of this Policy, *Special Considerations Regarding Administrative and Clerical Costs*, for additional information.
Fringe Benefits	418400 420500 422400 422500 425000 427500	Faculty Benefits Faculty Part Time Ben Student Faculty Ben Exempt/Prof Benefits Classified Staff Ben Hourly Benefits	Fringe benefits may be direct charged to sponsored projects in proportion to the salary paid and certified to the project.

Costs *other than* Salaries, Wages, and Associated Benefits

General Budget Descrip-tion	Account	Description of Cost (NOT usually charged directly to a sponsored project)	Explanation of circumstances in which an F&A cost *may* be treated as a direct cost
Office Adminis-tration	480101	Office Supplies	These costs may be charged to a federal sponsored project, under extraordinary circumstances, when *all* of the following conditions are met: ▪ The supply/expense can be specifically identified with the project *and* ▪ The supply/expense or activity is explicitly listed in the approved project budget by the awarding agency, *and* ▪ The supply/expense is not specifically disallowed in the award notice.
Telecom-munica-tions	482601 482602	Telecommunication Supplies Telecommunication Services	▪ Telephone equipment and lines needed for fieldwork may be charged to federal sponsored projects. ▪ Large projects requiring dedicated lines may be charged to federal sponsored projects. ▪ Cellular telephones and pagers may be charged to federal sponsored projects when these are needed to coordinate fieldwork. ▪ In all of the above circumstances, the need to charge such equipment and services to a federal sponsored project must be justified in the narrative portion of the budget, and approved by the sponsor.
Postal Costs	485101 485102	Postal Supplies Postal Services	Postage costs may be charged to federal sponsored projects when the project requires substantial mailing expenses (e.g., surveys, correspondence with field offices, etc.) *and* when the cost is justified in the budget narrative and approved by the sponsor.
Honoraria	495102	Honoraria Study Subjects	Use Other Operating Expense accounts ▪ 552614 PARTICIPANT COSTS ▪ 552615 PARTICIPANT FEES ▪ 552616 PARTICIPANT SUBST/STIPND ALLOW for costs associated with study participants.
Motor Vehicle	497601 497602 497603	Motor Vehicle Supplies Motor Vehicle Services Motor Vehicle Equipment Rental*	Federal projects may be charged for maintenance and supplies for vehicles located and used in remote locations if identified in the budget narrative *and* approved by the sponsor. *This does not include rental car costs related to travel.

General Budget Descrip-tion	Account	Description of Cost (NOT usually charged directly to a sponsored project)	Explanation of circumstances in which an F&A cost *may* be treated as a direct cost
Informa-tion Technol-ogy	500800 500900 501000 501100 501200 501400 501500 501600 501800 501900 502000	Information Technology (IT) Costs Computers (bundled < $5000) Servers < $5000 Printers < $5000 IT Video/Voice Hardware < $5000 Other IT Hardware < $5000 Peripherals < $5000 Networks < $5000 Network Computer Devices < 5000 UCB Faculty Computer Program IT Equipment < $5000 Sponsored Program Control IT Equipment < $5000 Sponsored Program Owned	Federal projects may be charged for information technology costs that can be directly identified and allocated to the project. The costs of local area networks, engineering workstations, and other shared facilities may be charged to federal projects if allocated to all users based upon their relative benefit and usage of those facilities. For more information, refer to the CU-Boulder Guide on Internal Sales Activities: https://www.colorado.edu/abs/node/295/attachment/newest. **Special Note About Equipment per *A-21*** Section J. 16. (4) of *A-21* distinguishes between special purpose equipment and general-purpose equipment. Special Purpose Equipment means equipment that is used only for research, medical, scientific, or other technical activities. Expenditures for special purpose equipment are allowable as direct charges with the approval of the sponsoring agency. General Purpose Equipment means equipment, the use of which is not limited only to research, medical, scientific, or other technical activities. Examples of general-purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and automatic data processing equipment. Expenditures for general-purpose equipment are unallowable as direct charges, except where approved *in advance* by OCG.
Rental	502600 502700 502800	Building Rentals - Land Rentals - Space Rentals -	Federal projects that are charged the off-campus F&A rate may be directly charged for the cost of building and space rental if identified in the budget narrative and approved by the sponsor. In addition, rent may be directly charged when it is in lieu of hotel (travel costs) for long-term fieldwork. The expectation is that these costs are included in the budget as such.

General Budget Descrip-tion	Account	Description of Cost (NOT usually charged directly to a sponsored project)	Explanation of circumstances in which an F&A cost *may* be treated as a direct cost
Advertis-ing	507601 507602 508701 508702	Recruitment/Procure-ment Advertising Supplies Recruitment/Procure-ment Advertising Services General Advertising Supplies General Adver Svcs	Advertising identified specifically to a sponsored project for 1. Recruitment of personnel 2. Procurement of goods or services 3. Disposal of surplus/crap material acquired on the project 4. Other specific purposes required by the sponsored agreement may be charged as a direct cost.
Subscrip-tions/ Books/ Periodicals	512600	Subscriptions/Books/ Periodicals/Scores	It may be permissible to charge the cost of a book directly to a federal sponsored project if the book provides a direct benefit to advancing the work of the project, if the book is specifically needed to do the work of the project, and if federal regulations or sponsor regulations do not prohibit the direct-charging of books to the respective sponsored project. General library materials for the department or lab are not allowable.
Physical Plant	515108 515114	Alterations and Renovations* Trash/Waste Collection**	*Specific approval is required for alterations and renovations. ** Federal sponsored projects may be charged for these costs if they are located off-campus and use the off-campus F&A rate and if identified in the budget narrative and approved by the sponsor.
Custodial	517600 517601 517602 517603	Custodial Supplies Custodial Services Laundry Supplies Laundry Services	Federal sponsored projects may be charged for these costs if they are located off-campus and use the off-campus F&A rate and if identified in the budget narrative and approved by the sponsor. Federal sponsored projects may be charged for laundry and dish washing if identified specifically to a particular lab.
Food Supplies and Services	522601 522602	Food Supplies Food Services	Federal sponsored projects may be charged for these costs when 1. The primary purpose of the project is to support symposia/conferences, or other meetings *or* 2. When the project requires an advisory board, and the meals are supplied at the advisory board's meetings, and the cost of the meeting is included in the approved budget.

General Budget Descrip-tion	Account	Description of Cost (NOT usually charged directly to a sponsored project)	Explanation of circumstances in which an F&A cost *may* be treated as a direct cost
Instruc-tional	527601 527602	Instructional Supplies Instructional Services	Federal sponsored projects may be charged for these costs *under extraordinary circumstances* when **all** of the following conditions are met: 1. The expense can be specifically identified with the project or activity *and* 2. The activity is explicitly listed in the approved budget by the awarding agency *and* 3. The expense is not specifically disallowed in the award notice.
Equipment Non-Capital	537600	Equipment < $5000	Specific justification must be attached to the purchase request or payment voucher when grant-specific, non-capitalized equipment is purchased with federal funds. **Special Note About General Purpose Equipment per *A-21*** Section J. 16 (4) of A-21 defines general purpose equipment as equipment, the use of which is not limited only to research, medical, scientific, or other technical activities. Examples include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and automatic data processing equipment. Expenditures for general-purpose equipment are unallowable as direct charges, except where approved *in advance* by OCG.
Freight, Moving, Storage	540109 540110	Employee Moving - Paid 3rd Party Moving - Employee Reimbursements	Federal sponsored projects may be charged for these *costs under extraordinary circumstances* **and** only when the cost has been specifically approved in the budget for the sponsored project. Contact the Office of Contracts & Grants or the Sponsored Projects Accounting Office before using these accounts on a Fund 30 or Fund 31 sponsored projects FOPPS.
Interest, Royalty, Patents	542600 542700 542701 542800 542900	Interest Expense Royalties Licenses Patents Trademark Registration	Royalties, fees, or license payments to use a process, material, invention, etc. are allowable costs on a federal sponsored project. Payments for professional licenses or other fees of a personal nature are not allowable as a direct cost on a federal sponsored project.

General Budget Descrip-tion	Account	Description of Cost (NOT usually charged directly to a sponsored project)	Explanation of circumstances in which an F&A cost *may* be treated as a direct cost
Official Functions	550200	Official Function - Meetings/Conferences	Federal sponsored projects may be charged for these costs when the primary purpose of the project is to support symposia, conferences, or other meetings.
Other Operating Expense	552601 552602 552605 599999	Other Operating Supplies Other Operating Services Other Operating Contractual Services Recharge - Operating Expense	Federal sponsored projects may be charged for these *costs under extraordinary circumstances* and only when the cost has been specifically approved in the budget for the sponsored project. Contact the Office of Contracts & Grants or the Sponsored Projects Accounting Office before using these accounts on a Fund 30 or Fund 31 sponsored projects FOPPS.
General Budget Descrip-tion	**Account**	**Description of Cost (NOT usually charged directly to a sponsored project**	**Explanation of circumstances in which an F&A cost *may* be treated as a direct cost**
Utilities	750101 750102	Utilities Supplies Utilities Services	Federal sponsored projects may be charged for these costs if they are located off-campus and use the off-campus F&A rate. Contact the Office of Contracts & Grants or the Sponsored Projects Accounting Office before using these accounts on a Fund 30 or Fund 31 sponsored projects FOPPS.
Student Aid	770100 770200 770300 770400 770500 770600 772499	Student Aid - General Tuition/Fee Award Fellowships Scholarships Stipends Traineeships Recharge-Student Aid	Federal sponsored projects may be charged for stipends, fees, and tuition payments for students in federally funded training and fellowship programs to the extent that each of these costs is permitted under the sponsor's guidelines or by the award. Contact the Office of Contracts & Grants or the Sponsored Projects Accounting Office before using these accounts on a Fund 30 or Fund 31 sponsored projects FOPPS.

In addition to those items noted in the table above, expenditures for the following are not allowed to be charged as a direct cost to a sponsored project:

1. Alcoholic beverages
2. Alumni Activity
3. Commencement and convocation costs
4. Employee morale

5. Entertainment
6. Lobbying costs
7. Passport and Visa costs
8. Proposal costs.

8. Special Considerations Regarding Costs Associated with Administrative and Clerical Employees

8.1 Identifying Administrative and Clerical Job Functions

It is the type of work, not the job classification, which serves as the primary factor in determining whether an employee falls into the administrative/clerical category.

The list that follows provides examples of administrative and clerical functions. This list is **not** all-inclusive.

- Accounting and budgeting
- Departmental administration (general departmental duties)
- Filing
- General local area network administration
- Non-scientific software and system development
- Payroll processing
- Processing vouchers
- Purchasing
- Routine data entry, database maintenance, purchase order processing/tracking, telephone answering, travel-related planning, etc.
- Typing and mailing correspondence
- Typing applications for awards
- Typing newsletters and brochures.

Costs associated with administrative and clerical job functions generally are not allowed to be charged as direct costs to a federal sponsored project.

8.2 Correct Treatment of Costs Associated with Administrative and Clerical Employees for Federal Sponsored Projects

According to *A-21,* costs associated with administrative and clerical salaries should generally be assigned to federal sponsored projects as F&A costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services *and* where the individuals involved can be specifically identified with the project or activity. Direct charging of administrative and clerical employee costs may also be appropriate

where the nature of the work performed under a particular project requires an extensive degree of administrative or clerical support, in an amount that is *significantly greater* than the routine level of such services typically provided by administrative and clerical staff in an academic department. In these circumstances, it *may* be appropriate to charge the salaries and benefits of administrative and clerical staff as direct costs to a sponsored project.

In order to direct-charge administrative and clerical salary costs to a federal sponsored project, these costs need to meet the federal criteria for a direct cost as noted in **Section 6** of this policy. In addition to the direct cost criteria listed in **Section 6,** if the cost of an administrative or clerical salary is to be direct-charged to a federal sponsored project it must also be:

1. Specifically presented and justified in the budget narrative of the award proposal *or*
2. Specifically approved by the sponsoring agency *and*
3. Not specifically disallowed by the sponsoring agency as part of the award

The following examples are illustrative of circumstances in which the direct charging of administrative and clerical salaries to a federal sponsored project *may* be appropriate. Always check with Sponsored Projects Accounting before directly charging any administrative and clerical salary costs to a sponsored project.

- Large, complex programs such as center grants and program projects.
- Projects involving extensive data accumulation, analysis and entry such as epidemiological studies.
- Projects requiring travel arrangements for large numbers of participants, such as conferences and seminars.
- Projects whose *principal purpose* is to prepare and produce manuals or large reports, books and monographs (excluding routine progress and technical reports.)
- Projects geographically inaccessible to normal departmental administrative services, such as research field sites remote from the campus.
- Projects requiring project-specific database management, graphics or manuscript preparation, human or animal protocols, or multiple project-related investigator coordination.
- Extraordinary and extensive administrative support - *significantly greater* than the routine level typically provided by academic department administrative and clerical staff - which *may* be budgeted and charged to federal sponsored projects include the following:
    - Computer programming
    - Conducting computer research work
    - Conducting Interviews
    - Developing materials for presentation
    - Extraordinary and extensive data entry
    - Extraordinary and greater-than-the-routine budget creation and maintenance
    - Extraordinary effort in grant related transcription
    - Grants managers performing extraordinary and extensive administrative support
    - Laboratory technical activities
    - Large conference planning and organization

- Programmatic project effort
- Research data gathering
- Research training
- Telephone surveys
- Writing manuscripts for publication (not data entry).

Note: The examples listed above are not exhaustive, nor are they intended to imply that direct charging of administrative or clerical salaries would always be appropriate for the situation illustrated by each example. Contact Sponsored Projects Accounting prior to charging salaries and associated costs for administrative and clerical employees as direct costs to federal sponsored projects.

9. Special Considerations Regarding Other Administrative and Clerical Costs

Items such as office supplies, postage, local telephone costs, and memberships normally are treated as F&A costs. Direct charging of these costs to a federal sponsored project *may* be appropriate in the following circumstances:

- A project involving a large mail survey could justify direct charging postage to conduct the survey.
- Direct charging postage for the shipping of tissue cultures may be acceptable.
- A project involving a telephone survey could justify direct charges for dedicated phone lines.

Note: The examples listed above are not intended to imply that direct charging of these costs would always be appropriate for the situation illustrated by each example. Contact Sponsored Projects Accounting prior to charging administrative and clerical costs as direct costs to federal sponsored projects.