

**COSTING GUIDELINES FOR SPONSORED PROJECTS**

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# COSTING GUIDELINES FOR SPONSORED PROJECTS

## 1.0 INTRODUCTION

The operation of any enterprise involves costs that pertain to a specific project, as well as general costs. For administrative and accounting purposes these costs are grouped into two categories -- direct and indirect. Many costs, however, are not discretely direct or indirect and may appear in either category, depending on the circumstances. Such is the case with costs of federally sponsored research at colleges and universities. The basic regulations for ascertaining the costs of federally sponsored research at educational institutions are set forth in Office of Management and Budget (OMB) *Circular A-21: Cost Principles for Educational Institutions*. The Circular establishes principles for determining costs applicable to sponsored agreements, contracts, and other agreements with educational institutions.

Effective May 8, 1996, *Circular A-21* was revised to incorporate four Cost Accounting Standards applicable to educational institutions. These were issued by the Cost Accounting Standards Board (CASB) on November 8, 1994, and the *A-21* revision extended the standards to all sponsored agreements. Also, the revision required certain large institutions (UK was classified as a large institution) to disclose their cost accounting practices by the submission of a disclosure statement (DS-2) prescribed by CASB. The UK DS-2 is due to the Department of Health and Human Services no later than June 30, 1997. Other *A-21* changes were implemented; however, they are not specifically addressed here.

## 1.1 GENERAL GUIDELINES

### A. Cost Accounting Standards

Universities are required to comply with the four standards below:

1. CAS 501 - Consistency in Estimating, Accumulating, and Reporting Costs
2. CAS 502 - Consistency in Allocating Costs for the Same Purpose
3. CAS 505 - Accounting for Unallowable Costs
4. CAS 506 - Cost Accounting Period

### B. Effective Date and Applicability of Guidelines

Implementation of the University of Kentucky guidelines is **July 1, 1997**. These costing guidelines will apply to all new and competing proposals submitted on or after April 1, 1997. For awards received after July 1, 1997 for which proposals were submitted prior to April 1, every effort will be made to establish the budget in compliance with these guidelines. These guidelines apply to all sponsored projects.

### C. Responsibility for Compliance

Responsibility for following these guidelines **lies primarily with Principal Investigators (P.I.s) of sponsored projects, department heads, and college/unit fiscal officers** by

providing guidance and oversight of research units. The University administration is responsible for guidance and training, and for insuring compliance through periodic internal and external audits.

## 1.2 FACTORS AFFECTING ALLOWABILITY OF COST

The following criteria must be considered in determining the allowability of a cost:

1. Costs must be **reasonable**. A cost is considered reasonable if the nature of the goods or services acquired and the amount involved reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision was made to incur the cost.
2. Costs must be **allocable** to sponsored agreements under the principles and methods of *Circular A-21*. A cost is allocable to a particular sponsored project if the goods or services involved are chargeable or assignable to the project in accordance with the relative benefits received.
3. CAS and the revised *Circular A-21* emphasize the importance of **consistent application of cost accounting principles**. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where the University treats a particular type of cost as a direct cost on sponsored agreements, all costs incurred for the same purpose in like circumstances must be treated as direct costs for all activities of the institution. Consistent treatment of costs is necessary to avoid inappropriate charges to the federal government or other sponsors when sponsored agreements are charged directly for specified costs, then charged again, through the University's indirect cost rate.

PIs, department administrators and in some specific instances central administration officials, should review costs to ensure that they are allowable and allocable to a project. Size, nature and complexity of sponsored agreements, although not the final determining factor, are in the aggregate important considerations in determining unlike circumstances. Due to the unique requirements of each sponsored agreement, unlike circumstances are determined on a case by case basis (see section 3.2).

## 2.0 DIRECT COSTS

*OMB Circular A-21: Cost Principles for Educational Institutions* states “Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 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 shall be treated as direct costs of all activities of the institution.” (*A-21, D.1.*)

The above statement implicitly makes the point that charges to a sponsored project should support the project’s purpose and activity and represent those costs necessary to meet the project’s scientific and

technical requirements. Such charges cannot be assigned arbitrarily or for the purpose of simplified budget management that is unrelated to the sponsored agreement's purpose.

### **Additional Criteria for Determining Direct Costs**

1. **The cost must be included in the awarded budget, or the cost must be permitted within rebudgeting authority granted by the sponsor.**

When preparing applications for sponsored projects, the PI usually submits a detailed budget. This budget includes line items such as salaries and wages, benefits, travel, supplies and other direct costs. The award reflects approved budgeted items and becomes a part of the agreement between the university and the sponsor. Only those costs that are included in the budget or rebudgeted costs allowed by the sponsor should be charged. If the cost requires institutional and/or sponsor prior approval after the award is made, the approval must be secured before the cost is incurred.

2. **The cost must not be restricted by the sponsor.**

Costs that are restricted or unallowable as indicated in the award notice or sponsor guidelines may not be charged to a sponsored project.

## **2.1 ACCEPTABLE DIRECT COSTS**

Please refer to **Exhibit 1, Column A** for examples of acceptable direct costs. Direct costs must meet *A-21* requirements cited above and be "identifiable to a particular cost objective" (*A-21, F.6.b.*). The "particular cost objective" requirement means that costs cannot be directly charged if they are incurred for the benefit of research in general, or the interest of the researcher in general. They must be clearly identified with the work of a particular project or group of projects.

## **2.2 DOCUMENTATION OF DIRECT COSTS**

A. **The cost must be identified with activity in the sponsored agreement** to which the cost is charged. For example:

1. Long distance telephone and fax costs should be linked to the sponsored agreement by means of a manual log or analyzing the long distance phone bill and allocating costs.
2. Purchases for a specific sponsored agreement must identify the grant's account number on the invoice, requisition, purchase order, or other payment document.
3. Supplies drawn from a central storeroom or inventory may be charged directly to a sponsored agreement if their applicability to the sponsored agreement is recorded at the time of withdrawal. All such costs must be charged to sponsored agreements based on anticipated usage at the time of withdrawal.

B. **Documentation** that links the cost incurred to the sponsored agreement activity should be done **by someone who is in a position to know the sponsored agreement activity**; e.g., the person who is making the long distance telephone call (as in example A.1 above) or the person designated by the principal investigator to purchase goods and services for that particular project.

C. **Documentation must be maintained for a period of three years** following the date the

final expenditure report is submitted to the sponsor. If any litigation, claim or audit is started before the expiration of the three year period, the records must be retained until all issues are resolved and final action taken.

- D. Only **actual costs** may be charged to the sponsored agreement. (See Section 5.0 for documentation guidelines for the distribution of direct costs across two or more projects.)

### 2.3 UNACCEPTABLE DIRECT COSTING PRACTICES

The following direct costing practices are unacceptable because they do not meet *A-21's* standard for a "high degree of accuracy" in the assignment of costs to sponsored agreements:

1. **Rotation of charges among sponsored agreements** by month without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored agreement;
2. **Assigning charges to the sponsored agreement with the largest remaining balance;**
3. **Charging the budgeted amount** rather than charging an amount based on actual usage;
4. **Assigning charges to a sponsored agreement in advance** of the time the cost is actually incurred;
5. **Identifying a cost as something other than what it actually is**, such as classifying an item of equipment as a supply;
6. **Charging expenses exclusively to sponsored agreements** when the expense has supported non-sponsored agreement activities;
7. **Assigning charges that are part of normal administrative support** (indirect costs) for sponsored agreements (e.g., accounting, payroll). Refer to 3.0 on Indirect Costs in these guidelines.

### 3.0 INDIRECT COSTS [Facilities and Administrative (F&A) Costs]

Indirect costs are defined in *A-21* as "those that are incurred for common or joint objectives [of the University] and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity." (*A-21, E.1.*) These costs are also referred to as "Facilities and Administrative" and are comprised of a number of components. Facilities includes "depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. Administration is defined as general administration and general expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically under...Facilities." (*A-21, F.1.*)

At the college and department level "salaries of administrative and clerical staff ...[and] items such as office supplies, postage, local telephone cost, and memberships shall normally be treated as F&A costs." (*A-21, F.6.b.*) Costs incurred for the same purpose in like circumstances must be consistently treated by the University as either direct or indirect.

**Exhibit I** lists a variety of costs and identifies their treatment by the University as either direct or indirect.

### 3.1 CHARGING NORMALLY INDIRECT COSTS TO SPONSORED PROJECTS

A-2I does not absolutely prohibit costs identified by the institution as indirect from being charged directly to a sponsored agreement. However, strict criteria must be met.

Costs normally treated by the University as indirect may be charged to a sponsored project when **ALL** of the following conditions are met:

1. The cost can be **readily identified specifically with the project** with a **high degree of accuracy**; and
2. The **costs are incurred for a different purpose or circumstance, as described in section 3.2 of these guidelines**; and
3. The cost is **explicitly budgeted, with justification, and awarded**:
  - a) The cost is separately budgeted in the proposal budget (Note that for certain fixed-price funding arrangements a detailed budget is not required by the sponsor; however, the internal budget should reflect the cost. See AR II-1.0-3.);
  - b) The budgeted amount reflects a realistic estimate of the cost and, in the case of salary, the percent of effort;
  - c) A reasonable justification is given for the cost. In the case of federal agency sponsors the “Budget Justification” section of the proposal should state that the costs are normally treated as indirect by the institution, but are being requested due to a special purpose or circumstance; an explanation of the special circumstance should be clearly outlined in the “Budget Justification;”
  - d) The sponsor approves the item in the award. Since these items are specifically set forth in the proposal, it is assumed that the sponsoring agency has approved this exceptional treatment of administrative and clerical salaries or other costs normally treated as indirect if they accept the proposal, fund the project and do not prohibit the cost on the notice of award. It is the principal investigator's responsibility to notify the Office of Sponsored Projects Administration of any changes made to the proposed budget in preaward negotiations with the sponsor in which OSPA did not participate.

Note that the determining factor in classifying salaries of administrative and clerical staff as direct costs must relate to the **different** work they perform to meet the exceptional requirements of the project as compared to that of administrative and clerical staff who perform work related to routine departmental or general institutional administration. Generally, a project that requires more of the same type of administrative support as that required for routine departmental or institutional administrative support would not meet the criteria of a different purpose and circumstance.

### 3.2 SPECIAL PURPOSES OR CIRCUMSTANCES WHERE DIRECT CHARGING OF COSTS NORMALLY TREATED AS INDIRECT COSTS MAY BE APPROPRIATE

Charging costs normally treated as indirect as a direct charge to a sponsored project may be approved for projects that involve the following special purpose or circumstance:

1. **Industrial/Commercial.** Projects sponsored by these organization are proposed and awarded for the joint benefit of the sponsor and the University. Direct and indirect costs are assigned to projects based on the agreement between the sponsor and the University.
2. **Foundations and Non-For-Profit Agencies and Associations.** Projects sponsored by these organizations are proposed and awarded for the joint benefit of the sponsor and the University. Direct and indirect costs are assigned to projects based on the agreement between the sponsor and the University. The guidelines of these organizations specify the costs to be charged to a project.
3. **State Sponsored Agreements.** The University complies with State agency regulations and statutory requirements. Consequently, are assigned based on the sponsor's agreement and the budget.
4. **United States Department of Agriculture (USDA).** The University complies with USDA appropriations, legislative mandates, and program requirements. This includes Federal appropriations that are administered by USDA for State Extension and Agricultural Experiment Stations.
5. **Training Grants.** Since training grants are for a different purpose (training) than a traditional research project, these project budgets may include costs that are normally considered to be indirect costs. Training grants usually identify a line item budget for "institutional allowance" which authorizes direct charging of normally treated indirect costs as appropriate if they are reasonable, specifically identified with the project, and budgeted in the award.
6. **Planning Grants.** Planning grants are used for preliminary work to determine the feasibility of a proposed line of inquiry, and/or for other activities that will facilitate proposal development. For these types of agreements, the federal agency will fund indirect costs at a specified percentage. Since planning grants are for a different purpose (planning) than a traditional research project, these project budgets may include direct costs that are specifically identified with the project.
7. **Geographically Inaccessible Projects.** Projects that are geographically inaccessible to normal departmental administrative services (i.e., a project that takes place in site(s) remote from the main campus in Lexington or the community colleges, as appropriate).
8. **Projects That Require Travel and Meeting Arrangements.** Projects that require travel and meeting arrangements such as, but not limited to, conferences, continuing education, workshops and seminars for large numbers of participants.
9. **Projects Involving Large, Complex Programs.** Large, complex programs, where size, nature and complexity of the activity goes well beyond the normal departmental support or there is a functional difference in work by individuals in the same job class.

Examples include program project grants, center grants, grant for the Experimental Programs to Stimulate Competitive Research (EPSCoR), and other sponsored agreements and contracts that entail assembling and managing teams of investigators.

10. **Projects Which Involve Extensive Data Management.** Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting. For example, if a project requires substantial mailing expenses in the performance of the project activities or technical work, postage should be charged as a direct cost of the project.
11. **Projects Involving Extensive Reports.** Projects whose principle focus includes the preparation and production of manuals, large reports, books and monographs (excluding routine progress and technical reports), software and multimedia material.
12. **Projects Involving Other Specific Requirements.** Individual projects requiring project-specific database management; individualized graphics or manuscripts preparation; human or animal protocol, IRB preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communication.
13. **Other Sponsored Activities (Not Research or Instruction).** Funded projects which are beyond the traditional instructional and research responsibilities of an academic unit. These activities primarily provide services beneficial to individuals and groups external to the Institution. Examples include activities such as public service, workshops, community development and projects supported by funds passed through the state.
14. **Specific Costs Incurred for a Different Purpose.** Additional specific costs that are justified by special purpose and circumstance may be approved by the Director of OSPA.

### **3.3 INTERNAL APPROVAL PROCESS**

In accordance with AR II-1.0-3 each proposal is reviewed and approved by the appropriate University officials prior to submission to the sponsor. When a proposal meets one of the above “Special Purpose or Circumstance” situations, the Principal Investigator will indicate the Special Purpose number on the Internal Approval Form. As part of its review, OSPA will assess the designation made by the PI. If the Director of OSPA disagrees with the PI and the disagreement cannot be resolved, the matter will be referred to an appeals committee of University officials, appointed by the Vice President for Research & Graduate Studies, for review. The decision of the committee will be final.

### **4.0 BUDGETING AND REBUDGETING**

#### **A. ABR Budgeting**

The University's Financial Resources System (FRS) allows for budgeting to specific expenditure object codes and to simplified budgetary "pools." (See the FRS Reference Handbook for further explanation.) Sponsored project budgets are established by OSPA in "pools" and/or individual object codes based on the restrictions of the sponsor. Primary responsibility for following University and sponsor policies when incurring costs on a sponsored project account resides with the Principal Investigator. The budget and information available in the FRS system through ledger sheets and on-line access assist the PI and responsible unit to financially manage and monitor the account.

Budgetary pools and specifically budgeted object codes should **not** be exceeded. If budget modification becomes necessary, approval to rebudget should be obtained **prior** to incurring the expenditure. Individual sponsors vary considerably in the amount of budgetary flexibility allowed. Some modifications require written approval of the sponsor. Information concerning sponsor restrictions is normally available in the sponsor's guidelines and from OSPA.

Disregard for budgeted pools and object codes may result in overexpenditures being disallowed and transferred to the unit.

#### **B. Additional Requirements for Federal Projects**

The following requirements apply to projects funded by federal agencies:

When a cost normally treated as indirect is approved for expenditure as a direct cost, the cost will be budgeted to the specific object code.

If a proposal and award does not include approval to charge directly a cost normally treated as indirect and, subsequently, there is a need to incur such a cost, a formal rebudgeting request must be submitted by the Principal Investigator, with the concurrence of the appropriate chair and dean or director, to OSPA for review and approval. The request must include a justification of why the cost is required to accomplish the project, a description of the different purpose or circumstance, and why the cost was not included in the original proposal budget.

### **5.0 ALLOCATION OF A DIRECT COST ACROSS TWO OR MORE SPONSORED AGREEMENTS**

"If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If 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 benefited projects on any reasonable basis..." (A-21, C.4.d(3)).

The preceding language provides two kinds of flexibility for allocating an allowable direct cost across two or more projects. In these guidelines, they are called the "proportional benefit rule" and the "interrelatedness rule." Each is described in more detail below. In general, the two rules are distinguished as follows:

The **proportional benefit rule** can apply across two or more projects whether or not they are technically and scientifically related, but the distribution of costs across the projects must correspond roughly to the distribution of the benefit which the costs support.

The **interrelatedness rule** can apply only across two or more projects that are scientifically and technically related. However, the distribution of costs does not necessarily have to reflect the distribution of the corresponding benefit.

In practice, it is likely that the proportional benefit rule will be used more widely, since it does not require demonstration of a scientific or technical relationship among the projects in the designated group.

Irrespective, when either of these rules is applied the University is responsible for ensuring that costs charged to a sponsored agreement(s) are allowable, allocable and reasonable under the *A-21* cost principles. Also, the cost in question should be identified specifically with the group of sponsored agreements relatively easily and with a high degree of accuracy; credible documentation of this identification must be maintained by the department; and administrative costs (costs which are normally treated as indirect) cannot normally be charged to such groups of sponsored agreements unless the costs clearly meet the criteria for a special purpose and circumstance specified in section 3 of this policy.

## **5.1 PROPORTIONAL BENEFIT RULE FOR NON-COMPENSATION COSTS**

**The proportional benefit rule is used when:**

1. The cost in question qualifies as a direct cost as described in sections 2 and 3 of these guidelines;
2. The cost pays for something that benefits two or more projects or activities; and
3. Without undue effort or administrative expense a distribution can be devised which roughly but reasonably reflects the proportional distribution of the benefit that the cost has paid for. The PI(s) must be a part of the approval process when using this method.

**Examples of Acceptable Methods:**

1. The PI's best judgment of the proportions that will reflect the benefit of the costs to each of the sponsored agreements;
2. Log documenting actual usage;
3. Other methods may be acceptable but should be discussed and approved by the Office of Sponsored Projects Administration (OSPA).

Please see section 2.3 for **unacceptable** direct costing practices.

## **5.2 PROPORTIONAL BENEFIT RULE FOR COMPENSATION COSTS (e.g. Salaries, wages and fringe benefits)**

*A-21* states "The payroll distribution system will allow confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&A [indirect] cost categories and the functions to which they are allocable" (*A-21, J.8.b.(2)(c)*).

The proportional benefit rule is applied when the Principal Investigator authorizes the distribution of allowable salary and related fringe benefits across two or more sponsored agreements. This authorization should reflect the PI's best judgment of the proportional benefit of the salary and fringe benefit costs to each of the affected sponsored agreements, based on first-hand knowledge of the individual's efforts on the project(s).

The UK *Statement of Reasonableness* form is an after-the-fact confirmation that the faculty salary charged to both direct and indirect costs are reasonable in relation to the activity performed. This form is utilized the academic year and summer and is initiated by the UK Controller's office.

For exempt staff, part time faculty and instructional/research assistants the *Statement of Reasonableness* form is an after-the-fact confirmation that the salary charged to sponsored projects is reasonable. As above, the form is utilized for the fiscal year and is initiated by the UK Controller's office.

For staff employees (non-exempt and students) the biweekly time documents (time sheets) account for 100% of the activity for which the employee is compensated.

Under these guidelines, when allowable salaries and related fringe benefit costs are allocated across two or more projects, the individual who signs the *Statement of Reasonableness* form is certifying that the percentages are a reasonable proportional distribution of the employee's actual effort.

### **5.3 INTERRELATEDNESS RULE**

This rule applies when a cost is clearly a direct cost for a group of projects, but the interrelatedness of the work of the projects makes the proportional benefit rule impractical because of undue effort or administrative expense. The interrelatedness rule provides greater flexibility in distributing costs, but the conditions for its use are more stringent. Two conditions must be met. First, the interrelatedness of the projects must be established. Second, the impracticality of charging the cost directly to a single project or using the proportional benefit rule must be established.

#### **Identifying an interrelated group of projects.**

Establishing that a group of projects is "interrelated" is accomplished either by disclosure of scientific overlap when "other support" is described in the initial application, or by the documentation of the PI, with the approval of the PI's academic supervisor. A fundamental criterion of interrelatedness is a close scientific and technical relationship among the projects.

For all sponsored projects, federal and non-federal, **all of the following conditions must be met** in order to establish interrelatedness among a group of projects:

1. The projects are scientifically and technically related; and
2. There is no change in the scope of the individual project in the group, relative to the scope described in the proposals; and
3. Establishing interrelatedness will not be detrimental to the conduct of work approved under each individual project; and

4. Establishing interrelatedness will not be used to circumvent the terms and conditions of an individual project; and
5. Any additional requirements of the particular sponsor have been met. For instance:
  - a. Grants awarded under Public Health Services (PHS) auspices (including all NIH grants) require additional conditions (see *PHS Grants Policy Statement*):
    - 1) The projects are under the direction of the same PI.
    - 2) All grants in the interrelated group have been funded by the same PHS funding office (i.e. by the same Institute).
    - 3) The written prior approval of the Grants Management Officer has been obtained.
  - b. For National Science Foundation (NSF) grants, the interrelatedness of projects with more than one PI must be approved by appropriate NSF Grants and Program Officers. OSPA will determine whether prior approval is required by other sponsors in order to establish and distribute interrelated costs.

### **Distributing interrelated costs.**

An interrelated cost may be distributed among the projects in an interrelated group on “any reasonable basis” (A-21, C.4.d(3)).

For PHS grants that meet the criteria above, a cost that benefits a set of interrelated projects may be charged to any or all of them in any proportion that, in the judgment of the PI, constitutes a “reasonable basis.” With the written prior approval of the Grants Management Officer of the PHS awarding office, an interrelated cost may be charged to one grant.

## **6.0 UNALLOWABLE COSTS**

There are costs which are not eligible for reimbursement on sponsored projects as either direct or indirect. These are called unallowable costs and include but are not limited to:

- Alcoholic beverages
- Bad Debts
- Commencement or convocation costs
- Contingency provisions
- Contributions, donations, remembrances
- Entertainment
- Fines and penalties
- Fundraising
- Goods or services for personal use of employees
- Lobbying

## **7.0 OVERRUNS, DISALLOWED COSTS AND INDIRECT COSTS CHARGED WITHOUT APPROVAL**

### **1. Overruns and Disallowed Costs**

When it is determined that a ledger 4 account is in an overrun status or that disallowed costs have been lodged against it, Sponsored Projects Accounting will transfer these charges to the

appropriate account within the sector (i.e. “Dean’s overrun” account). These charges will be considered cost sharing and must remain in the overrun account.

## **2. Indirect Cost Charged to Grants as Direct Cost**

Any indirect cost charged to a federal grant which has not been approved as a “special purpose” in accordance with section 3 of this policy will be transferred to an appropriate departmental operating account. These charges will be considered indirect costs and must remain in the departmental account for inclusion in the indirect cost rate proposal.

## **8.0 COST TRANSFERS**

It is the responsibility of all departments and operating units to have in place internal controls that provide for the charging of all costs to the appropriate accounts. Therefore, transferring costs between accounts is considered legitimate only when necessary to correct an error, properly allocate charges between accounts involving closely related work, or redistributing charges in those few cases where the university’s billing systems will not allow for charging the appropriate amount to the proper accounts upon original posting. For a full explanation see the University’s “*Cost Transfers for Sponsored Projects*” policy.

## EXHIBIT 1

This is a representative list of expenditures. For a complete list see the expenditure object codes in the UK Business Procedures Manual E-17-8 (includes definitions) or and the FRS Handbook.

### A. DIRECT COSTS

### B. INDIRECT COSTS

<b>SALARIES, WAGES, FRINGE BENEFITS, such as:</b> - principal investigator - faculty - research assistant - scientist - technician - post doc. - graduate research assist. - other	<b>ADMINISTRATIVE AND CLERICAL SALARIES, WAGES, FRINGE BENEFITS, such as:</b> - fiscal officer - accountant - secretary - staff assistant - department administrator - administrative staff officer
<b>ANIMALS AND ANIMAL CARE</b>	<b>COMPUTER SOFTWARE</b>
<b>AUTO RENTAL</b>	<b>COMPUTER HARDWARE</b>
<b>CONSULTANTS</b>	<b>DUES &amp; MEMBERSHIPS</b>
<b>DUPLICATING</b>	
<b>EQUIPMENT</b> (technical & scientific)	<b>EQUIPMENT</b> (general purpose) -copier -office furniture
<b>MAINTENANCE/REPAIR SCIENTIFIC EQUIPMENT</b>	<b>MAINTENANCE/REPAIR GENERAL PURPOSE EQUIPMENT</b>
<b>FREIGHT/OTHER TRANSP</b> use code 3202 -UPS, FedEx -Priority Mail	<b>MEALS &amp; REFRESHMENTS</b>
<b>PAGE CHARGES/REPRINTS/REFERENCE MATERIALS</b> use code 3313	<b>PRINTING</b>
<b>PATIENT CARE COSTS</b>	<b>POSTAGE</b>
<b>RENTAL OF SPACE OR EQUIPMENT</b> (non-University owned)	
<b>SERVICE/RECHARGE CENTER CHARGES</b>	<b>SUBSCRIPTIONS</b>
<b>SUBCONTRACTS</b>	
<b>SUPPLIES &amp; MATERIALS</b> - chemical & laboratory - gases - radioisotopes	<b>OFFICE SUPPLIES</b> - pens, pencils - transparencies - paper, tablets - staples - files, folders, binders
<b>TELEPHONE CHARGES - LONG DISTANCE</b>	<b>TELEPHONE CHARGES - BASIC</b> - basic line charge - pagers - local calls - voice mail

<b>TRAINEE COSTS (Training Grants Only)</b> - stipend - tuition & fees - travel	
<b>TRAVEL</b>	
<b>Note: See following pages for comments on selected items of cost.</b>	

## NOTES ON SELECTED ITEMS IN EXHIBIT 1

### A. DIRECT COSTS

**Maintenance/Repair Scientific Equipment** may be charged directly to a sponsored project when the item of equipment is used exclusively on that project. Or, it may be charged to more than one account if the proportional benefit to those projects can be established and credible documentation is maintained by the unit in support of the proportional charging.

**Rental of Space.** Some projects require special space needs or have staff stationed off-campus for long-term field site work.

**Subcontract** costs specifically approved in the budget are allowable. An agreement must be prepared by OSPA and signed by both parties prior to the subcontractor beginning work.

**Trainee Costs** such as stipend and tuition and fees may only be charged to training grants. Graduate research assistants participating in other types of projects must be paid a wage for services rendered; their tuition may not be paid from a grant.

### B. INDIRECT COSTS

Circular A-21 does not absolutely prohibit such costs from being charged directly to a sponsored agreement, if they meet the criteria described in section 3.1.

Items of costs such as salaries of administrative and clerical staff, office supplies, postage and local telephone (including monthly service charges) are normally treated as indirect costs. However, for special purposes and circumstances (Refer to 3.1 and 3.2 in these guidelines), costs that are normally indirect may be directly charged. The examples given below are not exhaustive nor are they intended to imply that direct charging of costs normally treated as indirect would always be appropriate for every “special purpose” situation.

Examples or practices that would establish a link between the cost and the sponsored agreement activity are shown below. These examples are not meant to cover all situations.

**Computing Hardware.** Computing hardware is normally an indirect cost because computers are used in support of a variety of activities. However, computers may be charged to a sponsored agreement when all of the following criteria are met. The item must:

- a) be specifically identified with the project;
- b) be required to fulfill the scientific objectives;
- c) have a preponderance of use (75% or greater) on the project;
- d) be specifically listed in the proposal budget and be awarded.

The same criteria apply to computer rental and purchase or license of computer software.

**Office Supplies.** General office supplies, including paper, pencils, pens, tablets, file folders, binders, staples would not normally be allowable as a direct charge to a sponsored agreement. Examples of office supplies which may be charged directly are special markers needed to label refrigerated samples or providing notebooks for a large number of workshop participants.

**Postage.** Costs of mailing correspondence pertaining to a sponsored project is an indirect cost. However, an example of a project for which postage may be allowable as a direct cost is survey research that may require mailing a large quantity of questionnaires to accomplish the goals of the project. A postage meter or log should be used to document such support. Shipping costs not classified as ordinary postage are acceptable direct costs (i.e. Fedex, Airborne, etc.).

**Printing** costs could be charged directly to a sponsored agreement if, for example, there is a requirement to produce bound manuals or print project-related manuscripts and large reports.

**Telephone Charges - Basic.** It may be appropriate to charge basic telephone charges if a dedicated line is necessary solely for the performance of a sponsored project and will be removed at the conclusion of the project.

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