



Guidance for Charging of Costs to Sponsored Awards

The Principal Investigator (PI)/Project Director (PD) is responsible for justifying the appropriateness of direct costs budgeted and charged on sponsored projects in accordance with overall government regulations, sponsoring agency guidelines, conditions made as a part of an individual award, and UB policies and guidelines. Providing this justification both in budgeting for and charging sponsored projects requires close familiarity with the programmatic and technical aspects of the sponsored project. For this reason, primary responsibility for justifying the appropriateness of direct costs in accordance with government regulations, sponsoring agency guidelines, and UB guidelines rests with the principal investigator.

Direct Costs – Definition and Criteria

Direct Costs are those costs that can be identified specifically with a particular sponsored award, or that can be directly assigned to such activity relatively easily with a high degree of accuracy. For purposes of determining whether it would be appropriate to budget or charge a certain direct cost to a sponsored award, Principal Investigators (PIs) and departmental business personnel should evaluate the transaction against the core principles of allowability, reasonableness, and allocability. Identification with the sponsored work, (i.e., the scope of work) rather than the nature of the goods and services involved is the determining factor in distinguishing direct from F&A costs of sponsored agreements.

ALLOWABILITY OF COSTS (2 CFR §200.403)

Per 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards costs must meet the following general criteria in order to be allowable under Federal awards:

- Reasonable and necessary for the performance of the award
- Allocable to the sponsored award
- Conform to any limitations or exclusions
- Consistently treated
- Not included as a cost or used to meet cost sharing or matching requirements on any other federally-funded award
- Adequately documented

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 to sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution. Costs charged to federally sponsored awards which result in inconsistent treatment of direct cost practices will be documented with written justifications supporting Uniform Guidance exceptions of “unlike circumstances”.

REASONABLE COSTS (2 CFR §200.404)

A cost is reasonable if the nature and amount does not exceed what would be incurred by a prudent person under the prevailing circumstances at the time the decision was made to incur the cost. Considerations involved in determining reasonableness of a cost are:

- Whether the cost is generally recognized as necessary for proper and efficient performance of the award
- The restraints or requirements imposed by sound business practices, arm's-length bargaining, Federal, state, local laws and regulations, and terms and conditions of the Federal award
- Market prices for comparable goods or services of the area
- Whether the individual acted with prudence in the circumstances considering their responsibilities to the institution, its employees, students, the Federal government, and the public at large
- Whether the institution significantly deviates from its established practices and policies regarding the incurrence of costs

ALLOCABLE COSTS (2 CFR §200.405)

A cost is allocable if the goods or services are chargeable or assignable in accordance with relative benefit received. This standard is met if the cost:

- Is incurred specifically to support or advance the work of a specific award
- Benefits both the award and other work of the institution and the process of assigning the cost, or a group of costs, is reasonable and in realistic proportion to the benefit provided or other equitable relationship
- Is necessary to the overall operation of the institution and is assignable in part to the Federal award in accordance with 2 CFR 200

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. If the proportions cannot be determined because of the interrelationship of the work involved, costs may be allocated or transferred on a reasonable, documented basis.

Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.

Examples of Costs that are Normally Considered Direct

The following types of costs are normally budgeted and charged as direct costs. Keep in mind, individual awards may have specific conditions/restrictions which apply. A transaction may be legitimate for one award, but unallowable on another. Each award should be treated individually when determining if a specific transaction is appropriate.

1. Salaries and Wages of personnel engaged in performing sponsored project scope of work. Costs must be reasonable for the work performed, consistently applied to both sponsored and non-sponsored activities and documented. Examples include:
 1. Faculty
 2. Professional staff (such as research associates or scientists)
 3. Postdoctoral fellows
 4. Technicians
 5. Lab assistants
 6. Graduate and Undergraduate Students performing scientific or technical work
2. Fringe Benefits of personnel engaged in performing sponsored project scope of work. Fringe benefits are allowable in proportion to the salary charged to the award. UB does not have an approved “fringe benefit rate”. Actual charges should be used in estimating these costs to the extent possible. Examples include:
 1. Health insurance
 2. Tuition remission
 3. Retirement
3. Materials and Supplies necessary for performing sponsored project scope of work.
 1. Chemicals
 2. Glassware
 3. Compressed gasses and liquids
 4. Computing devices – in the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award
4. Other Direct Costs necessary for performing sponsored project’ scope of work.
 1. Travel
 2. Consulting Services
 3. Long distance telephone charges
 4. Subawards
 5. Alterations, repairs, and maintenance costs of equipment used for the activity or program
 6. Trainee/participant costs such as stipends, tuition & fees, and travel
5. Capital Equipment that is approved by the sponsor (or internally approved if allowed by the sponsor under expanded authority).

Facilities and Administrative (F&A) Costs – Definition and Criteria (§200.414)

F&A Costs (2 CFR 200 §200.414) are those costs incurred by UB for common or joint objectives and cannot be easily and specifically identified with a particular sponsored award, an instructional activity, or any other institutional activity. These costs are also sometimes called indirect or overhead costs.

Examples of Costs that are Normally Considered F&A

The following types of costs are normally considered F&A costs.

1. Administrative and clerical salaries and associated fringe benefits – should normally be treated as F&A. Direct charging may be appropriate only if all of the following conditions are met:
 1. Administrative or clerical services are integral to the performing sponsored project's scope of work.
 2. Individuals can be specifically identified with the sponsored project.
 3. Costs are explicitly included in the budget or have prior written approval of the awarding agency.
 4. Costs are not recovered as F&A.
2. General Office supplies – such as pens, pencils, paper clips
3. Postage
4. Local telephone charges
5. Memberships

For items normally considered F&A costs (or any items a layperson would consider routine and administrative in nature), specific written justification as to the relationship between the cost and the proposed project scope of work should be submitted as part of the proposal to the sponsoring agency.

Total Direct Cost Calculation

If F&A is calculated on a Total Direct Cost (TDC) basis, all budgeted items are included in the F&A calculation.

Modified Total Direct Cost Calculation

If F&A is calculated on a Modified Total Direct Cost (MTDC) basis, then some costs are exempted when F&A is calculated. These costs include:

- Equipment and capital expenditures
- Patient care charges
- Rental costs
- Tuition remission
- Scholarships & Fellowships
- Participant support costs
- The portion of each subaward in excess of \$25,000

Salaries & Wages Calculation

If F&A is calculated on a Salaries and Wages (S&W) basis, only salary expenses (excluding fringe benefits) are included in the F&A calculation.

Total project cost is the sum of allowable direct costs + allocable F&A costs – applicable credits (for example: purchase discounts, rebates or allowances).

Unallowable costs

The following costs have been specifically identified by the Government as unallowable on awards. However, individual agencies and programs have authority to approve certain costs. For example, it may be appropriate to budget “alcoholic beverages” as a direct cost of a sponsored project to study effects of alcohol on reflex movement. To budget or charge such a cost, one must fully disclose such items in the budget narrative or have written approval by the sponsoring agency grant/contract management officer (if approval was not obtained in the original proposal and award document).

The list below is not all inclusive. Individual agency and program requirements may list other “unallowable” costs.

1. Advertising for general promotion of the University, including printed materials, promotional items, memorabilia, gifts and souvenirs.
2. Alcoholic beverages
3. Alumni activities
4. Bad debt write-offs
5. Commencement and convocation costs
6. Charitable contributions and donations
7. Cost Overruns – *Any costs allocable to a particular sponsored agreement may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.*
8. Costs on Industry, Foreign Government or Other Non-Government Grants/Contracts; *Any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally-sponsored agreements.*
9. Entertainment
10. Fines and penalties
11. Faculty and exempt staff salary in excess of base rates paid by the institution – see full text of 2 CFR 200 §200.430 Compensation – personal services.