



# OFFICE OF SPONSORED PROGRAMS

Charles R. Drew University of Medicine and Science

## Guidance for Charging Expenses to Sponsored Awards

<b>I. Introduction</b>	<b>3</b>
• Purpose	3
• Who Should Use This Guidance	3
• Key Cost Principles for Federal Awards	3
• Non-Federal Awards	4
• Sponsored Expenditures Questions and the Escalation Process for Disagreements	5
<b>II. Cost Principles for Federal Awards</b>	<b>5</b>
• Applicable Federal Regulations	5
• Applicability to Federal Awards	5
• Cost Accounting Standards	5-6
<b>III. Documentation and Justification for Expenditures</b>	<b>6</b>
<b>IV. Treatment of Specific Types of Expenses for Federal Awards</b>	<b>6-8</b>
• Administrative and Clerical Salaries	9
• Advertising and Public Relations	9
• Alcoholic Beverages	10
• Bad Debts	10
• Compensation (Bonuses, Maternity or Parental Leave, Severance)	10-11
• Communication Expenses (cell phones, internet)	12
• Conferences	12
• Contributions and Donations	12
• Depreciation	13
• Equipment	13
• Exchange Rates	13-14
• Fines, Penalties or Settlements	14

- Materials & Supplies (Books, Journals, Periodicals and Subscriptions; Computing Devices; and Copier Charges) 14-15
- Memberships, Dues and Professional Activity Expenses 16
- Participant Support Costs (excluding training grants) 16-17
- Postage and Express Delivery 18
- Professional Service Expenses 18
- Recruiting Expenses (Short-Term Visas) 19
- Relocation Costs of Employees 20
- Specialized Service Facilities 20
- Taxes 20
- Travel and Related Expenses 20-21
  - Air Travel 21-25

**V. Prior Written Approval 26**

**VI. Other Related Information 27**

- Collection of Improper Payments 27
- Cost Sharing 27
- Pre-Award Expenses 27-28
- Procurement 27
- Unallowable Expenses 27-28

## I. Introduction

### Purpose

This document provides guidance on appropriate budgeting and expenditures of sponsored funds, whether from federal or non-federal sources and whether directed toward research, training, or other purposes. Like all educational institutions that are recipients of federal and non-federal sponsored awards, CDU must comply with a number of regulations and guidelines that govern the ways in which funding can be used. This document is intended to clarify the federal constraints and the CDU policies for costs addressed in the OMB Uniform Guidance (UG), [PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS](#), which supersedes requirements from OMB Circulars including A-21, A-110 and A-133.

All federal awards issued after December 26, 2014 must comply with OMB 2CRF200 (Uniform Guidance), the basis for this document. Most awards issued before that date must comply with OMB Circular A21 (unless the agency has notified CDU of adoption of the new guidelines). There are a limited number of areas where the Uniform Guidance differs from previous federal regulations, specifically OMB Circular A-21. These include, but are not limited to, administrative and clerical expenses, direct charges of computing devices, visa costs for recruiting purposes, and expenses relating to exchange rates fluctuations.

Please see CDU [Effective and Applicability Date of Federal Regulations to Sponsored Awards Guidance](#) Document for information about applicable regulations.

### Who Should Use This Guidance

All Principal Investigators and administrators at CDU University-wide including faculty in College of Medicine, College of Science and Health, School of Nursing, departments and divisions who are responsible for budgeting and expenditures charged to sponsored awards must comply with these guidelines.

### Key Cost Principles for Federal Awards

This guidance is based on the interpretation of federal regulations, and adherence is required for all federal awards.

For any cost to be allowable under a sponsored award it must meet the following criteria:

<b>Allowable.</b>	Allowable expenses are reasonable and necessary to conduct the research to carry out the aims and goals of the project. Allowable expenses must be treated consistently and conform to the specific terms and conditions of the award
<b>Allocable.</b>	An expense is allocable if it is incurred solely to advance the work under the agreement or if it benefits both the sponsored agreement and other related work of the institution, in proportions that can be approximated through use of reasonable methods.
<b>Reasonable</b>	A reasonable cost is one that a prudent person would have incurred under the circumstances prevailing when the purchase was made.

<b>Consistently Treated</b>	A cost may not be charged to a Federal award as a direct cost if any other cost incurred for the same purpose in a like circumstance has been allocated to the Federal award as an indirect cost. If a cost is identified as an indirect cost it may be charged as a direct cost if the circumstances related to a particular project are clearly different from the normal operations of the institution. For example, although office supplies are normally treated as an indirect cost, a particular award may have a special need for envelopes to mail hundreds of survey questionnaires. In this case, it is appropriate to charge the award directly for the envelopes because those needed would significantly exceed the quantity routinely provided by the office. The mailing of the questionnaires creates an "unlike circumstance" for envelopes and other supplies used for the survey, but not for other routine office supplies unrelated to the survey.
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An expense is a "direct cost" if that expense can be identified specifically with a particular sponsored project or other activity with a high degree of accuracy. "Indirect costs" (sometimes referred to as facilities and administrative (F&A) costs or overhead), are costs that benefit many activities (e.g., building operations and maintenance, library services, IT expenses, utilities, administrative personnel such as grant managers, etc.). F&A costs are recovered through the federally negotiated rate. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct expenses or indirect costs.

Items requiring prior approval must specifically be requested in the proposal budget or requested from the sponsor in writing (if the award has been made).

### Non-Federal Awards

CDU treats all non-federal awards as "different purpose and circumstance" (see section II, "Unlike Purpose and Circumstances Criteria" below); therefore, with the exception of any sponsor or grant restrictions, the grant expenditures fall under general University policies.

However, proper stewardship of non-federal awards, including those from non-US governmental sponsors, requires adherence to these key principles:

- Allowable** under CDU policies and complies with the terms and conditions of the award
- Directly benefits the purpose of the award:** that is, the expense can be associated with, and is in support of, the project or program
- **Reasonable:** the expense reflects what a "prudent person" would pay in a similar circumstance

Expenses on non-federal awards require the careful review of terms and conditions and any other supporting documentation (e.g., approved budget, sponsor guidance) in order to determine appropriateness of charges. Any questionable expenses (e.g., alcohol), if not specifically captured in the approved budget, should be reviewed by the appropriate CDU authority prior to expending funds. Specific sponsor approval may also be required in some cases.

Direct and indirect (or overhead) costs on non-federal awards are dictated by the sponsor's policies. Variability among non-federal sponsors' policies and a lack of specificity in policies or award terms may require additional scrutiny and judgment in determining what costs can be charged as direct

expenses that may normally be considered indirect costs when associated with federal awards (e.g., rent or space, administrative support staff). It is also important to consider that many non-federal sponsors pay a minimal indirect cost rate and it may be appropriate to direct charge costs that normally would not be direct-charged to a federal award that pays the full indirect rate.

## **Sponsored Expenditures Questions and the Escalation Process for Disagreements**

The Sponsored Research Expenditures Guidance provides general and specific guidance regarding allowability of charges to federal and non-federal awards. There may be situations where a PI or research administrator have questions or do not agree on the treatment of specific expenses.

The PI or research administrator will contact OSP in writing via email regarding the inquiry. The inquiry will be reviewed within two business days or less with consultation from the Office of Finance. Once a determination has been made, written communication will be sent addressing the issue to the PI and/or Research Administrator. If there is still an unresolved issue, the Vice President for Research and Health Affairs will be contacted to provide guidance in resolving the issue(s). There are times when the sponsor might have to be contacted directly.

## **II. Cost Principles for Federal Awards**

### **Applicable Federal Regulations**

The spending of any funds awarded by the federal government to CDU is governed by 2CFR200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, or UG), published by the Office of Management and Budget (OMB). The Uniform Guidance includes four Standards, listed below and disseminated by the Cost Accounting Standards Board, that apply to colleges and universities.

### **Applicability to Federal Awards**

#### **2CFR §200.101**

The cost principles in Subpart E and the audit requirements in Subpart F of the Uniform Guidance are applicable to all Federal awards. All CDU expenditures must comply with CDU policies and follow CDU guidelines.

### **Cost Accounting Standards**

#### **2 CFR §200.419**

In addition to the Uniform Guidance, CDU must comply with the Cost Accounting Standards (CAS) located in 48 CFR §9905.501, §9905.502, §9905.505, and §9905.506. The purpose of the CAS is to ensure consistency in:

- Estimating, accumulating, and reporting costs (CAS 501)
- Allocating costs incurred for the same purpose in like circumstances (CAS 502)
- Accounting for unallowable costs (CAS 505)
- Cost accounting periods (CAS 506)

## “Unlike Purpose and Circumstances” Criteria

The CAS consistency standard (CAS 502) states that costs must consistently be treated as direct expenses or indirect costs when the costs are incurred for similar purposes and circumstances. Costs normally considered indirect costs – e.g., administrative salaries, postage, express mail, telephone, copier expenses, general office supplies, and space-related costs may be allowable as direct costs if they meet all three of the following criteria:

- An unlike circumstance exists in which a sponsored project requires resources beyond those normally expected for a typical research project;
- The cost can be associated with the specific sponsored project with a high degree of accuracy; **and**
- The awarding agency has approved the cost, if significant, as a direct expense in the awarded budget. If the expense was not included in the awarded budget, sponsor approval should be obtained prior to expenditure for any significant expense.

## III. Documentation and Justification for Expenditures

Documentation is required to justify any expense charged to a sponsored award. The backup for expenditures should be adequate to support and justify that:

- The expense provides a direct benefit to the award
- The expense complies with any award restrictions and approval requirements outlined in the terms and conditions of the award
- If needed, the expense qualifies as “unlike purpose and circumstance” on a federal award

Special documentation is required under certain circumstances. Please refer to specific sections for individual requirements.

## IV. Treatment of Specific Types of Expenses for Federal Awards

This section provides guidance for some of the more common types of costs associated with federal research expenditures. Refer to the Cost Principles in Subpart E, §200.400-200.475 of the Uniform Guidance for the full listing of types of costs. Please contact OSP with any specific questions.

In general, there are three categories of expenses:

- **Direct Expenses** – These expenses can normally be directly charged to federal awards. However, the terms and conditions of the sponsored award must be reviewed prior to determining the appropriateness of expenses for each individual project.
- **Indirect Costs** – Sometimes referred to as facilities and administrative (F&A) costs or overhead, these expenses may not be charged as direct expenses to federal awards unless the costs meet the “unlike purpose and circumstances” criteria noted in Section II.
- **Unallowable Expenses** – These costs may not be charged to a federal award either as a direct charge or indirectly as recovered through the F&A rate.

The table below highlights select items of cost that should be considered in the budget preparation and post-award management processes. It includes items of cost that have changed as a result of the Uniform Guidance, as well as those commonly asked about during budget preparation.

**\*Additional details for the asterisked items listed in this table are provided below; items in red signify major change from OMB circulars to Uniform Guidance.**

Item	Typically Allowable as a Direct Cost to a Sponsored Award?	Requires Prior Written Approval from Agency?
<b>Administrative and Clerical Salaries*</b> 2 CFR §200.413(c)	Yes, provided they are integral to the project's objectives.	Yes, budget justification must explain integral nature of services to the project.
<b>Alcoholic Beverages</b> 2 CFR §200.423	No, alcohol is unallowable as entertainment expense on sponsored awards. Alcohol may be charged if specifically authorized in the approved budget and consistent with the purpose of the award.	
<b>Applicable Credits</b>	Yes, reduction-of-expenditure-type transactions (rebates, discounts etc.) related to allowable costs incurred on an award should be credited against the award.	No.
<b>Books and Journals*</b>	No. Books and journals generally should be provided as part of normal library services and are treated as F&A costs.	
<b>Communication Costs*</b>	Yes, communication expenses that can be linked to the sponsored project with a high degree of accuracy and are used solely for the sponsored award may be charged as a direct expense. Basic phone service is generally treated as an F&A cost.	No.
<b>Computing Devices* (under \$5,000 per unit)</b> 2 CFR §200.453, §200.94, §200.20, §200.33	Yes, if essential and allocable to the project.	No, but budget justification should explain the essential and allocable nature of the devices to the project.
<b>Conferences*</b> 2 CFR §200.432	Yes, if event's primary purpose is the dissemination of technical information.	No.
<b>Entertainment</b>	No, unless the cost is specific and has programmatic purpose to the project.	Yes, budget justification must explain the programmatic purpose.
<b>Equipment</b> 2 CFR §200.439, §200.33, §200.452	Yes. Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have prior written approval. Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.	Yes, equipment over \$5k must be itemized in the budget justification.
<b>Exchange Rates*</b> 2 CFR §200.440	Yes, subject to the availability of funds.	No, unless the rate fluctuation results in the need for additional funding or the increased costs

		result in a change in the Scope of Work.
<b>Local Meals*</b>	Yes, if costs have a programmatic purpose.	No.
<b>Local Parking</b>	Yes, if it benefits the project directly and there is a clear and reasonable business case.	No.
<b>Memberships, Subscriptions and Professional Activity*</b> 2 CFR §200.454	No, generally unallowable as a direct cost except when necessary to meet the technical requirements of the award.	
<b>Office Supplies*</b> 2 CFR §200.453, §200.94	No, general office supplies incurred for administrative and supporting services that benefit common or joint departmental activities are normally not allowable as a direct charge to a federal award. Specialized supplies may be charged as a direct cost if the use of the supply specifically and solely benefits the sponsored project.	
<b>Participant Support Costs*</b> 2 CFR §200.75, §200.456	Yes.	Yes.
<b>Photocopying</b>	No, unless the photocopying cost is extraordinary due to the nature of the project and can be associated with the sponsored award with a high degree of accuracy	
<b>Postage and Shipping</b>	No, unless the postage or shipping costs are required for a project and can be linked to that specific project.	
<b>Publication and Printing*</b>	Yes, publication costs can be charged even if incurred after the end of the performance period but before closeout.	No.
<b>Relocation Costs (for employees)</b>	Yes, when such costs are incurred incidental to a permanent change of duty assignment (for an indefinite period or for a stated period of not less than 12 months) for an existing employee working on a grant-supported project, or when a new employee is recruited for work on the project, provided that the move is for the benefit of the employer.	No.
<b>Sabbatical Leave</b>	No. At Tufts, sabbatical leave salary costs are a component of the University's fringe benefit rate. Since sabbatical leave salaries are included in the fringe benefit rate assessed to salaries, these charges cannot be charged again as a direct cost to a grant.	
<b>Taxes (including Value Added Tax)*</b>	Yes, except taxes from which exemptions are available, special assessments on land, and federal income tax.	No.
<b>Training and Education costs</b>	No, general educational/training costs for employee development that cannot be associated with a specific project are a component of the University's fringe benefit rate. Since general educational / training costs for employee development are included in the fringe benefit rate assessed to salaries, these charges cannot be charged again as a direct cost to a grant. Costs may be allowable as a direct cost provided that the costs are incurred	

	in support of can be associated with the sponsored project with a high degree of accuracy.	
<b>Visa (short-term)*</b> <b>2 CFR §200.463</b>	Yes, if critical and necessary for the project. Long-term visa costs are not allowable as direct cost	No

## **Administrative and Clerical Salaries**

### **2 CFR §200.413(c)**

**Definition:** Administrative and clerical personnel provide non-technical support services that benefit departmental, institute, center, or school activities. The services of these individuals could include: clerical support, financial management, procurement of materials and services, budget and planning, and personnel management.

The salaries of administrative and clerical personnel are normally treated as an indirect cost unless they meet the definition of “unlike purpose and circumstance” and are integral to the project. As stipulated in the Uniform Guidance, direct charging of administrative salaries is allowable when **all** of the following 4 conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such expenses are explicitly included in the budget or have the prior written approval of the federal awarding agency; **and**
- The costs are not also recovered as indirect costs.

## **Advertising and Public Relations**

### **2 CFR §200.421**

**Definition:** The costs of advertising media, including magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and related administrative expenses.

Advertising/media expenses are only allowable as a direct charge if used solely for **one** of the following uses:

- The recruitment of personnel required for performance of a federal award (subject to the requirements in Recruiting section and 2 CFR §200.463);
- The procurement of goods and services for the performance of a federal award; **or**
- Program outreach and other specific purposes necessary to meet the requirements of the award.

## **Alcoholic Beverages**

### **2 CFR §200.423**

Alcoholic beverages and related expenses are unallowable costs and can only be charged to a federal award if alcohol is specifically necessary for the aim and scope of the project and the agency has provided specific approval in the award notice or if they are approved in writing by the sponsor.

In order to charge a business meal on a federal award, an itemized receipt should be presented even if the total amount of the bill is less than \$75. If an itemized receipt is not available, provide written justification.

- If the meal(s) did not include alcohol, the traveler must attest in writing that no alcohol was charged, and the entire amount can be charged to the appropriate federal award.
- If the meal(s) did include alcohol and the traveler can attest the alcohol cost in writing, then the alcohol portion of the meal costs, along with the applicable tax and tip, must be charged to a non-sponsored account (using object code 8450). The remainder of the meal costs can be charged to the appropriate federal award.
- If alcohol was included and the traveler **cannot** attest to the alcohol cost, no portion of the meal costs can be charged to a federal award.

### **Bad Debts** **2 CFR §200.426**

Bad debt or uncollected billings, including losses (whether actual or estimated) from uncollectable accounts and other claims, are unallowable and may not be charged to a federal award. Collections and legal expenses related to bad debt are also unallowable.

### **Compensation (Bonuses, Maternity or Parental Leave, Severance)** **2CFR §200.430, 440**

Compensation costs are generally allowable as a direct expense when the paid effort provides a direct benefit to the award and when the amount is within the federally allowable limits (e.g., agency-specific salary caps).

Special Considerations:

- Level of compensation may not increase solely due to an increase in available sponsored funding.
- Payments to supplement a fellowship are unallowable on any federal award.
- All CDU employees must be budgeted as salary and cannot be included as consultants or vendors.

### **Bonuses** **2CFR §200.430**

Incentive compensation paid to faculty or staff can be charged to awards if **all** of the following criteria are met:

- Payment is part of a performance based bonus program available to all employees, or groups of employees, at the University
- The overall compensation to the individual is reasonable; **and**
- The bonus program is consistently applied and allocated based on proportional benefit.

## Maternity or Parental Leave

No explicit federal guidance exists for maternity leave for employees; refer to the [Guidance Concerning Charging Staff Parental Leave to Sponsored Awards](#).

The eight weeks of short-term disability pay associated with maternity leave is paid directly through short-term disability and therefore may not be charged to any sponsored award. The four weeks of parental leave can be charged as paid time off to a grant in proportion to the normal percentage of effort associated with the project(s). The thirteenth week can be taken as vacation time or personal time, per CDU University policy.

## Severance

### 2 CFR §200.431(i)(1)

**Definition:** Severance pay is compensation in addition to regular salary and wages paid by an institution to employees whose services are being terminated. Expenses of severance pay are allowable only to the extent that such payments are required by law, or by CDU-employee agreement.

Under certain circumstances, severance pay can be charged to sponsored awards.

## Communication Expenses (cell phones, internet)

### 2 CFR 200 Appendix II

Due to the difficulty in identifying portions of a communications bill to a specific award or other university activity with a high degree of accuracy and certainty, communication expenses are generally included in the indirect cost calculations and treated as indirect costs. Only when a communication expense meets the “unlike purpose and circumstances” criteria noted above in [Section II](#) can they be directly charged to a sponsored award.

### Communication expenses charged as indirect costs include the following:

- Charges for landline telephone services
- Cell phones, smart phones, or other personal digital assistant, “PDA,” device charges
- On-campus or home Internet access or network connectivity fees

### What communication costs can be charged as a direct expense?

Communication expenses that can be linked to a specific sponsored project with a high degree of accuracy and are used primarily for the sponsored project may be charged as a direct expense. Examples of communication expenses that may be charged as a direct cost include the following:

- Itemized long distance telephone charges for communication related specifically to an award
- Communication devices used exclusively for conducting surveys
- Telephones and PDAs used exclusively to manage a multi-site research project
- Dedicated telephone lines set up to receive data feeds from the field or conduct surveys

- Hotel and airline Internet fees during travel related to an award
- Incremental expenses for international coverage for CDU employees in travel status
- Cell phones in remote locations where communication infrastructure is limited

## **Conferences**

### **2 CFR §200.432**

A conference fee may be charged as a direct expense if **one** of the following circumstances is met:

- The researcher and /or research team are presenting results of the research obtained during the course of his or her work on the project;
- The researcher can confirm that the purpose of the conference is directly related to that of the award being charged; **or**
- An aim of the award is for the PI to host a conference to disseminate information from the sponsored project.

Conference fees are treated as an indirect cost when the employee attends the conference to gain a general understanding of the topics presented, rather than to receive or present specific information related to a sponsored award. Conference fees that are not specifically related to an award should be charged to a faculty discretionary, departmental, or school account.

Information regarding membership fees associated with conference registrations is found in the Membership section.

## **Contributions and Donations**

### **2 CFR §200.434**

The value (either monetary or in-kind) of donated services and property are unallowable and may not be charged as either a direct expense or an indirect cost.

## **Depreciation**

### **2 CFR §200.436**

Depreciation should not be charged directly to an award. CDU is compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with the Generally Accepted Accounting Principles (GAAP) through the F&A rate.

## **Equipment**

### **2 CFR §200.439, §200.33, §200.452**

Equipment, including fabrications, with a total acquisition cost of \$5,000 or greater is considered capital equipment and may only be charged as a direct expense when it is necessary for the performance of the sponsored award.

- “Special purpose equipment” is equipment that is used only for research, scientific, or other technical activities. Examples of special purpose equipment include microscopes, genomic sequencers, imaging equipment, and spectrometers.

- “General purpose equipment” is equipment which is not limited to research, scientific or other technical activities. Examples include office equipment and furnishings, telephone networks, information technology equipment and systems, air conditioning equipment, and reproduction and printing equipment.

General purpose equipment is generally treated as an indirect cost because it cannot be easily linked to a particular cost objective. Equipment types that are typically considered “general purpose” may only be appropriate as a direct expense when the PI is able to justify that the equipment is necessary for the unique scientific/technical tasks of the specific agreement, not already available, and will be initially utilized almost exclusively for the award objectives.

### **Equipment Repairs**

Routine repair and maintenance of general purpose equipment are normally treated as indirect costs. Service, repairs or warranty costs for special purpose equipment dedicated to a sponsored project may be charged directly.

### **Equipment Purchases at the End of Award**

Equipment purchases charged directly to an award must be necessary for performance on the project; therefore, equipment purchases near the end of an award period should have additional scrutiny and may be subject to project-specific justification and/or sponsor approval.

### **Exchange Rates**

#### **2 CFR §200.440**

Expense increases for fluctuations in exchange rates can be treated as a direct expense when existing funding is available to cover the difference and there is prior approval by the federal awarding agency.

### **Fines, Penalties or Settlements**

#### **2 CFR §200.441**

Expenses resulting from violations (or alleged violations) of, or failure to comply with, federal, state, local or foreign laws and regulations are unallowable. Examples of items that may not be charged to a federal award include:

- Parking ticket or traffic violation
- Regulatory violation fines
- Late returned book fee

In very rare situations, if the expense is incurred as the result of complying with a specific provision of the federal award or with prior written approval from the federal awarding agency, the expense may be directly charged to the award.

## **Materials & Supplies**

### **2 CFR §200.453, §200.94**

General purpose materials and supplies purchased and used by departments for all activities should not be directly charged to federal awards. Examples include copy paper, office supplies, and cleaning materials.

Items purchased specifically for one or more research projects may be charged as direct expenses.

If the use of the items is shared among projects or labs, an allocation methodology should be created, documented and periodically reviewed.

Examples of office supplies that may be charged as a direct expense include:

- Office supplies specifically purchased for a program project or a survey funded by a grant
- Material required for poster or publication preparation (poster board, photographic supplies, color paper for a presentation that is directly attributed to the sponsored project)
- Computing Devices – see section below

## **Books, Journals, Periodicals and Subscriptions**

### **2 CFR §200.454**

Books, journals, periodicals, and subscriptions are normally treated as indirect costs.

Examples of unallowable charges:

- General or reference texts, including medical dictionaries
- Books, manuals, reprints that generally assist the PI in keeping up with his/her field of research
- Publications that provide a general benefit to research and teaching activities
- Subscriptions to journals

These expenditures may be charged as direct expenses only in unusual circumstances. Examples include:

- The book or journal is not available in the library and can be associated specifically with the sponsored award
- The book or journal is available from the library but is utilized so frequently for a specific award that a library copy is not sufficient
- A book contains a specific research technique or information that will introduce efficiencies to the research or improve the quality of results

## Computing devices

2 CFR §200.453, §200.94, §200.20, §200.33

**Definition:** Machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting, and receiving or storing electronic information.

Computing devices that cost less than \$5,000, and are essential and allocable to the performance of an award, may be charged directly either as a purchase or a lease. For computing devices costing greater than \$5,000, systems or equipment fabrications, please see the [Capital Equipment Policy](#).

Examples of computers that can be charged as direct expenses include:

- A laptop specifically needed to record data in field research
- A computer physically attached to another piece of scientific equipment and/or required for collection and analysis of information/data
- A computer used primarily on the designated sponsored award
- A computer that will remain property of the University (and not the personal property of an individual)

Computing devices may be allocated to multiple sponsored awards if the project’s portion of the use can be reasonably estimated and is directed by the PI. The expense should be properly allocated to all benefitting activities.

- If a device will be used only in part for an award’s activities, the award may only be charged for a portion of the device’s expense.
- University-funded activities such as instruction and administration should bear at least their fair share of the acquisition expense.
- De Minimis use of the device for other activities is allowed as long as the device is using the device primarily on the sponsored project(s).

## Copier Charges

Copier charges for general administrative support of a project should not be charged as a direct expense. Copier charges may only be an appropriate direct charge in cases when **both** of the following criteria are met:

- The awarding agency has approved the direct charge in the awarded budget or there is subsequent agency approval. The copy expenses associated with a project are extraordinary and meet the “unlike purpose and circumstance” criteria, **and**
- The copy expenses are an integral part of the specific tasks associated with the sponsored award and can be separately tracked.

## **Memberships, Dues and Professional Activity Expenses**

### **2 CFR §200.454**

Dues and memberships in professional organizations are normally charged as indirect costs because their purpose is more general in nature – i.e., furthering a PI's knowledge in his/her field – and cannot be identified with a high degree of specificity to an individual research project. Membership may be charged only if it is required for conference attendance where the researcher is presenting his or her research or obtaining, circulating, or distributing information to advance the performance of the project.

Note: the membership fee is allowable as a direct cost to the project if it reduces the overall cost of attending the conference.

## **Participant Support Costs (excluding training grants)**

### **2 CFR §200.75, §200.456**

**Definition:** Direct expenses for items such as 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 allowed if all of the following criteria are met:

- The costs are programmatically justified;
- The costs are explicitly included in the budget and the budget is approved or prior written approval is received from the Federal awarding agency; **and**
- The expense does not take indirect costs.

Note: NIH will only allow Participant support costs to be charged if they were approved in the original Funding Opportunity Announcement (FOA).

## **Who is a participant?**

A participant is defined as a non-CDU employee who is the recipient, not the provider, of a training associated with a workshop, conference, seminar, symposium, or other short-term instructional or information sharing activity. Participants are not required to provide any deliverable to the university and they are not subject to CDU human resources policies (e.g., they cannot be terminated for failure to perform). Participants may include students, scholars, and scientists from other institutions, representatives of private sector companies, teachers, and state or local government agency personnel.

A person classified as an intern would be paid as an employee and not as a participant, because the intern, while receiving certain training, is also providing services.

## **What expenses can be included in participant support costs?**

Participant support costs include expenditures for items such as the following:

- **Stipend.** A stipend is a set amount of money to be paid directly to the participant in connection with a short-term training activity. Note that short-term means the appointment period approved by the sponsor.
- **Travel.** Travel includes the costs of transportation and associated costs and must follow sponsor guidelines (e.g., US flag carrier, coach class, most direct route) as well as CDU's travel policies and guidelines. The sole purpose of the trip must be to participate in the project activity. If a training activity involves field trips, the cost of transportation for participants may be allowable.
- **Subsistence allowance.** The cost of a participant's housing and per diem expenses necessary for the individual to participate in the project are generally allowed, provided these expenses are reasonable and limited to the days of attendance. Although they may participate in meals and snacks provided at the meeting or conference, participants who live in the local area are not entitled to subsistence payments.
- **Fees.** The fees paid by a participant in connection with meetings, conferences, symposia, or training projects are generally allowable costs. These fees may include laboratory fees, passport or visa fees for foreign participants, and registration fees.
- **Other.** Certain other costs paid on behalf of or to the participant as required for their involvement may be allowable, including training materials, laboratory supplies, and insurance.

### **What expenses CANNOT be included as participant support costs?**

Participant support costs *do not* include the following types of payments:

- Honoraria paid to a guest speaker or lecturer
- Conference support costs such as facility rentals, media equipment rentals, or conference food
- Subaward to a provider for multiple training events (i.e., an ongoing contract with specific terms and conditions)
- Agreements with employers (e.g., public school system) to reimburse the employer for the costs related to sending its employee to a conference or workshop. It is recommended that the PI inform participants prior to the initiation of the project about any costs associated with their participation in the project that are not covered.
- Expenses for collaborators to meet at a single destination and discuss a research project's progress and direction. Such expenses should be budgeted under travel or other expenses as allowed by the sponsor.
- An incentive payment to encourage an individual to participate as a human subject in a research study is not a participant support cost and should be budgeted as an "other direct costs" bearing full overhead.

### **Rebudget**

Per 200.308(c)(5), prior approval is required to transfer funds budgeted for participant support costs to other categories of expenses.

## **Postage and Express Delivery**

### **2 CFR §200.473**

Postage or express mailing expenses are generally treated as indirect costs.

Please note postage and express delivery specifically associated with individual sponsored awards is treated as a direct cost.

If the expenses are required for a project and can be linked to that specific project, the cost may be charged as a direct expense. Examples of shipping and postage expenses that may be charged as direct costs:

- Shipping specimens to a lab facility for processing
- Postage for surveys
- Shipment of animals for use on a specific project
- Sharing model organisms as required by the terms and conditions on the award
- Shipping research presentation materials for a conference

## **Professional Service Expenses**

### **2 CFR §200.459, §200.435**

Costs of professional and consultant services are allowable as direct expenses when **all** of the following conditions are met:

- The service has been determined as allowable and necessary for the federal award;
- The professional or consultant is not an employee of CDU; **and**
- The expenses are reasonable in relation to the services rendered (i.e., the service cannot be performed more economically by direct employment).

All CDU employees must be budgeted as salary and cannot be included as consultants, advisors or vendors.

Retainer fees for professional services must be supported by evidence of bona fide services available or rendered. Any professional service costs related to defense and prosecution in criminal and civil proceedings are unallowable.

## **Recruiting Expenses (Short-term visas)**

### **2 CFR §200.463**

**Definition:** Expenses associated with the hiring of staff and are not normally allowed as direct charges.

Recruiting expenses, for all potential candidates, can be directly charged when the hiring of the individual is essential to achieving the objectives of the project. In this circumstance, the following costs may be allowed as direct charges:

- The expense of employee recruitment directly related to the project

- Travel expenses of applicants for interviews
- Relocation expenses of new employees (see Relocation Expense of Employees)

Recruiting costs *not* allowed as a direct expense include:

- Special payments
- Gifts
- Fringe benefits
- Salary allowances incurred to attract professional personnel that do not meet the test of reasonableness

Additionally, where recruitment costs incurred have been funded in whole or in part as a direct expense on a federal award, but the newly hired employee resigns within 12 months after hire, CDU is required to refund or credit the federal share of those recruitment expenses.

### **Short-Term Visas for Recruiting** **2 CFR §200.463**

Short-term travel visa expenses, in certain justifiable circumstances and only when associated with recruiting, may be charged as a direct expense on an award. Short-term visas differ from longer-term immigration visas in that they 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 expenditure to be directly charged to a federal award, the individual applying for the visa must meet **both** of the following criteria:

- Is critical and necessary for the performance of the project; **and**
- Is working on the project funding the visa expense when they are hired.

Additionally, where visa costs incurred have been funded in whole or in part as a direct expense on a federal award but the newly hired employee resigns within 12 months after hire, CDU is required to refund or credit the federal share of the visa expenses.

### **Relocation Costs of Employees** **2 CFR §200.464(J)**

Relocation costs are allowable as direct expenses if there is a permanent change of assignment of an existing employee or upon recruitment of a new employee. If the relocation of the employee directly benefits and is essential to the project(s), then the costs can be charged as direct expenses to the award(s).

Considerations when evaluating the allowability of relocation expenses of an individual include the following:

- The work performed will directly benefit the objectives of the award
- Reimbursement to the employee is in accordance with CDU policies
  - The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses

## **Specialized Service Facilities**

### **2 CFR §200.468**

Academic service center fees and charges are allowable as a direct charge on a federal award when **all** the following criteria are met:

- The service center charges are based on actual usage;
- The service provided is directly applicable to the award;
- The charge is based on an established rate schedule or methodology that does not discriminate between activities on federal awards and is designed to recover only the aggregate costs of the services.

## **Taxes**

### **2 CFR §200.470**

There are allowable federal taxes that CDU is required to pay; in most circumstances, these costs are treated as indirect costs.

In certain instances, taxes, including sales tax and Value Added Taxes (VAT), are legally required and are associated with expenditures on federal awards. These taxes can be charged as direct expenses on the associated federal award. When a refund can be requested, due to exemptions, the original charge should not be charged to a federal award.

## **Travel and Related Expenses**

### **2 CFR §200.474**

See the University [Travel Policy](#) and [Fly America Act](#).

Travel-related expenses are allowable as direct expenses when they provide a direct benefit to the sponsored award.

Unallowable travel expenses include:

- Limousines
  - Commuting or travel expenses when not on "travel status"
  - Airfare above "lowest economy fare class" (coach or equivalent)

Domestic and foreign travel charged to a sponsored project must follow these guidelines as well as the CDU University Travel Policy and funding agency requirements, whichever imposes the greater restrictions.

Travel expenses that directly support the sponsored project may be charged on an actual expense basis, on a per diem or mileage basis in lieu of actual expenses incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip.

In order to charge a business meal on a federal award, an itemized receipt should be presented even if the total amount of the bill is less than \$75. If an itemized receipt is not available, use a Missing Receipt Affidavit (a written signed statement), and:

- If the meal(s) did not include alcohol, the traveler must attest in writing that no alcohol was charged, and the entire amount can be charged to the appropriate federal award.
- If the meal(s) did include alcohol and the traveler can attest the alcohol cost in writing, then the alcohol portion of the meal costs, along with the applicable tax and tip, must be charged to an unrestricted account. The remainder of the meal costs can be charged to the appropriate federal award.
- If alcohol was included and the traveler CANNOT attest to the alcohol cost, no portion of the meal costs can be charged to a federal award.

## **Air Travel**

### **2 CFR §200.474.3(d)**

#### **Lowest Economy Fare Class**

Federal regulations require travelers to incur the lowest possible expense to the federal award; in most circumstances, this is a non-refundable (restricted) economy class airfare.

Federal regulations require that airfare costs in excess of the lowest economy fare class are unallowable except when such accommodations would:

- (i) Require lengthy routing;
- (ii) Require travel during unreasonable hours;
- (iii) Excessively prolong travel;
- (iv) Result in additional costs that would offset the transportation savings; or
- (v) Offer accommodations not reasonably adequate for the traveler's medical needs.

Once these criteria are met, the traveler must justify and document the exception for the use of business-class or upgraded economy airfare to be allowable on a federal award. Complementary (no-cost) upgrades are allowed. The [Federal Awards Airfare Exception Approval Form](#) must be completed and signed by an authorized signer and submitted with the travel reimbursement documentation.

There may be circumstances where there is a high likelihood that the itinerary may change; in these situations it is appropriate to purchase a refundable (unrestricted) ticket. Include in the business purpose section of the reimbursement request the reason for purchasing a refundable ticket.

#### **Business Class Airfare or Upgraded Economy**

If business class travel or upgraded economy is allowed under the CDU Travel Policy but cannot be charged to the federal award, the traveler may still fly business class or upgraded economy. However, the difference in fare between the least expensive economy fare class and the business class fare must be charged to a non-sponsored account. Business class airfare can only be charged to a federal award if one of the federal exceptions noted above is met. There are no exceptions to this rule.

The traveler must obtain, within 24 hours of booking the flight, a price quote for the economy fare for the same itinerary. The economy class fare can be charged to the federal award, and the difference **must** be charged to a non-sponsored account.

If the traveler does not obtain written documentation of the lowest available economy fare for the same itinerary within 24 hours of booking the flight, NO portion of the fare may be charged to the federal award. Post-booking quotes are not allowed as substitute documentation.

## **Fly America Act**

All air travel on federal awards must comply with the Fly America Act and use US Flag Carriers, even when a less costly foreign flag carrier is available, unless the flight meets the circumstances and exceptions described in the CDU University [Federal Awards Fly America Act Exception Form](#). You will need to retain documentation of the Fly America exceptions.

The Open Skies Agreement is an exception to the Fly America Act requirement and it allows travelers to fly on airlines from the European Union, Australia, Switzerland and Japan under certain circumstances. To determine if a flight meets the Open Skies Agreement criteria, check the Fly America Act and Open Skies Agreements Decision Tree.

Examples of **allowable** air travel expenses on federal awards:

- A researcher purchased an economy fare and it was upgraded to business class for free (no additional costs)
- A post-doc traveled on a foreign airline but the ticket has a US carrier code (code share) next to the flight numbers

Examples of **unallowable** air travel expenses on federal awards:

- A PI purchased a nonstop business class ticket for domestic travel because the coach class fare was not available and there were alternative flights available
- A PI booked a business class ticket for an 8 hour international flight on a US carrier and charged the full fare to the federal award without any written documentation of an exception
- A Co-PI booked the lowest available economy class fare for a flight from Boston to Amsterdam on a European carrier with the business purpose to present a paper on a DoD funded award
- A post-doc purchased a ticket from a US Airlines website for attending a conference in Vancouver, but the ticket has a foreign carrier's code (code share) next to the flight numbers (the seat does not qualify as US flag carrier)

## **Airline Incidentals**

- Reasonable airline internet fees during travel related to an award are generally allowable costs on federal awards
- Airline fees for snacks, non-alcoholic drinks, pillows and blankets, etc. cannot be charged to a federal award

## **Local Business Meals**

Meals consumed in the local environments are rarely allowed to be charged to federal awards.

The [CDU University Travel Policy](#) may permit the expenditure of CDU funds for these types of expenses, but they are generally unallowable on federal awards. In these cases, the expense should be charged to an unrestricted account.

Examples of food charges that should not be directly charged:

- Researchers and/or staff meeting to discuss progress on the grant
- PI has lunch/dinner with a colleague to discuss research (the meal of the visitor, if they are on travel status, may be charged to the award)

Local business meals may be directly charged to an award if they are linked to a formal meeting or conference at which technical information directly related to the award is being shared or disseminated. Note that specific federal sponsors may have varying terms and conditions that differ from the federal definitions. Please refer to the award's terms and conditions for any specific treatment of expenses.

Examples of meal charges that may be allowed as a direct expense:

- Lunch and refreshments are provided for a periodic all-day meeting with collaborators on a program project where technical information closely related to that project is being shared. There is a formal agenda and documented attendee list.
- A researcher is being recruited to fill an open position on a research grant and travels to CDU University local environs. Only the researcher's meal may be charged to the grant since he/she is on travel status.

In order to charge a business meal on a federal award, an itemized receipt should be presented even if the total amount of the bill is less than \$75. If an itemized receipt is not available, including the use of a Missing Receipt Affidavit (MRA), and:

- If the meal(s) did not include alcohol, the traveler must attest in writing that no alcohol was charged, the entire amount can be charged to the appropriate federal award.
- If the meal(s) did include alcohol and the traveler can attest in writing the alcohol cost, then the alcohol portion of the meal costs, along with the applicable tax and tip, must be paid by the individual. The remainder of the meal costs can be charged to the appropriate federal award.
- If alcohol was included and the traveler CANNOT attest to the alcohol cost, then no portion of the meal costs can be charged to a federal award.

## **Local Parking**

Parking expenses incurred in the local environments are normally not allowed to be directly charged to a federal award. Parking can be charged as a direct cost if the local travel benefits the project directly and there is a clear and reasonable business case.

Examples of parking charges that may be charged as a direct cost:

- A PI drives to another institution within the local environments to meet with collaborators on a specific project
- Subjects in a research study are reimbursed for parking expenses incurred when they visit the study site
- Local parking is associated with an out-of-town collaborator on the project who is in travel status when incurring the parking charge

## **Local Transportation**

- Car Services – The use of private sedan, limousine or car services to attend meetings on or around campus is unallowable as a direct expense
- Local Transportation Services – Where available, public transportation and shuttle services may be allowable as a direct cost. Taxis may also be used where other methods of travel are unavailable or impractical.

## **Communication Expenses**

Communication expenses that can be linked to a specific sponsored project with a high degree of accuracy and are used primarily for the sponsored project may be charged as a direct expense.

Examples of communication expenses that may be charged as a direct cost include the following:

- Itemized long distance telephone charges for communication related specifically to an award
- Communication devices used exclusively for conducting surveys
- Telephones and PDAs used exclusively to manage a multi-site research project
- Dedicated telephone lines set up to receive data feeds from the field or conduct surveys
- Hotel and airline Internet fees during travel related to an award
- Incremental expenses for international coverage for CDU employees in travel status
- Cell phones in remote locations where communication infrastructure is limited

## **V. Prior Written Approval 2 CFR §200.407**

Under any given Federal award, the reasonableness and allocability of certain items of cost may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, CDU may seek the prior written approval of the awarding agency in advance of the incurrence of special, or unusual, costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described below.

Items requiring prior approval must be requested specifically and approved in the proposal budget or must be requested, in writing, before the expense is charged to the award. In most cases written approval from the program officer is not sufficient; refer to the terms and conditions of the award for information regarding who can authorize changes to the award budget.

Only those costs that meet the criteria for direct expenses on a federal award, per these guidelines, can be directly charged to an award under any circumstances.

Per the Uniform Guidance, prior written approval from the sponsor is explicitly required for:

- Change of key personnel (200.308 (c)(2))
- Change of scope (200.308 (c)(1))
- Cost sharing or matching (200.308 (c)(7))
- Effort reduction of key personnel greater than 25% or PI disengagement from project of greater than 3 months (200.308 (c)(3))
- Equipment and other capital expenditures (200.313, 439)
- Exchange rates (200.440)
- Fines, penalties, damages and other settlements (200.441)
- Fixed amount subawards (200.332)
- Fund raising and investment management expenses (200.442)
- Goods or services for personal use – housing only (200.445)
- Memberships in any civic or community organization (200.457 (c))
- Organization costs (200.455)
- Participant support costs, any transfer of budget (200.308 (c)(5))and (200.456)
- Rearrangement and reconversion expenses (Renovations) (200.462)
- Selling and marketing costs (200.467)
- Travel costs (200.474 (c)(2))
- Use of program income (200.307)

The following require either inclusion in the proposal budget or prior approval from the sponsor if not originally budgeted:

- Administrative expenses (200.413 (c))
- Entertainment costs (200.438)
- Subawards, any changes or transfers (200.308) (c)(6))
- Supplemental compensation for incidental activities (200.430 (h) (ii))

The following may require prior approval OR be allowable under Expanded Authorities:

- Carry forward (200.308 (d)(3))
- No cost extension (200.308 (d)(2))
- Pre-award Expenses (200.458)

## **VI. Other Related Information**

### **Collection of Improper Payments**

#### **2 CFR §200.428**

**Definition:** Any payment that should not have been made including those made in an incorrect amount, made to an ineligible party, made for an ineligible good or service, made in duplicate, made

for a good or service not received, made without account for credit of applicable discounts, or made with insufficient or lack of documentation.

The costs to recover improper payments are unallowable expenses. If an improper payment has been charged to an award, it should be immediately removed from the sponsored fund.

## **Cost Sharing**

Expenses incurred to meet cost-sharing commitments require the same accounting, financial, legal, and regulatory burdens as expenses charged directly to CDU sponsored awards. Expenditures recorded as cost sharing must follow the guidance in this document.

See the CDU University [Cost Sharing Policy](#) for more information.

## **Pre-Award Expenses** **2 CFR §200.209**

Pre-award expenses are expenses incurred on grant awards typically during the 90 days prior to the award start date that are necessary for effective execution of the project. These expenses require sponsor approval and follow the same cost principles as expenses charged during the project period. For some federal sponsors with awards under expanded authorities, such as NIH, the incurrence of pre-award expenses, up to 90 days, is allowed without sponsor approval.

Any expenditure incurred while an account is in advance status is made at the department's or school's risk. See the [Advance Account Policy](#) for more information.

## **Procurement**

It is a compliance requirement to follow the University Procurement guidelines when procuring goods and services using sponsored funds. Additionally, you should pay attention to individual sponsor award terms and conditions to ensure that award procurement requirements are noted and followed. University Procurement Guidelines can be found [here](#).

The Uniform Guidance (2CFR200), in effect 12/26/14, allows for the CDU University to follow previous OMB guidance (superseded by this part as described in § 200.104) and existing University procurement standards for an additional fiscal year before implementing Uniform Guidance Procurement Standards, as described in §§ 200.317–200.326. CDU University is taking advantage of this opportunity to follow previous guidance and implement new procurement standards in FY17

## **Unallowable Expenses** **2 CFR §200.410**

Payments made for costs determined to be unallowable (either as direct or indirect) must be refunded to the federal government. Departments are responsible for working with OSP to ensure that direct and indirect funds relating to unallowable expenditures are either returned to the federal government or offset in the award.

## Appendix A: Special Considerations for Federal Training Grants

Each year, NIH and other DHHS agencies award institutional research training grants to eligible institutions to develop or enhance research training opportunities for individuals (predoctoral and postdoctoral), selected by the institution, who are training for careers in specified areas of biomedical, behavioral, and clinical research.

NIH Training Grants generally include the following cost categories: Stipend, Tuition and fees, Training-Related Expenses and Trainee Travel Costs.

Tuition and fees are allowable trainee costs only if such charges are applied consistently to all individuals in a similar training status at the organization, without regard to their source of support. Tuition at the postdoctoral level is limited to that required for specific courses in support of the approved training program and requires prior agency approval.

Trainees are generally supported for 12-month full-time training appointments for which they receive a stipend as a subsistence allowance to help defray living expenses during the research training experience. Stipends must be paid in accordance with established stipend levels. Trainee-related Expenses are "funds provided to defray such training expenses as staff salaries, consultant expenses, equipment, research supplies, staff travel and other expenses directly related to the training program." Trainee-related Expenses are generally requested in a lump sum, based on the number of trainees requested in the application, and entered on the budget page without further stipulation.

NIH may provide funds for Trainee Travel costs (attending scientific meetings, etc.) when requested by the recipient institution.

### NIH Training Grant Specific Rules for Rebudgeting of Funds

Funds may be rebudgeted only as follows:

- Trainee-Related Expenses.** Rebudgeting of funds awarded in a lump sum for trainee-related expenses does not require prior agency approval.
- Trainee Travel.** For rebudgeting purposes, trainee travel is not considered a trainee cost and, therefore, may be rebudgeted into any other budget category without prior approval of the NIH awarding IC.
- Trainee Costs.** For rebudgeting purposes, trainee costs include funds awarded in the stipends or tuition/fees budget categories. These costs may not be used for other purposes except under unusual circumstances and then only with the prior approval of the NIH awarding IC. Unless otherwise restricted, rebudgeting into or within the stipends and tuition/fees is allowable without prior approval of the NIH awarding IC.

Unlike participant support costs, which do not take indirect costs, stipends on NIH training grants can take 8% indirect costs. Tuition and fees cannot take indirect costs. The unspent stipend plus the 8% indirect costs can be re-budgeted into the tuition category, but it cannot be re-budgeted into Trainee-related Expenses.

For more guidance on NIH training grants and rebudgeting funds, please see [NIH Research Training FAQs](#) on NIH website.

The following trainee-related expenses may be treated as direct expenditures on fellowships and training grants:

- Consultant expenses, including seminar speakers (and their travel and honoraria) and related seminar/symposium expenses
- Announcements, posters, and brochures
- The cost of videotaping seminars because the seminars are trainee-related and trainees would benefit from the educational value of the seminars
- Trainee travel
- Health insurance
- Professional membership fees
- Book allowance
- PI travel and conference fee when attending a conference with trainees

**Trainee-related expenses that may be charged to training grants and fellowships, as designed by NIH**

Types of Costs	Allowable or Unallowable?	Considerations
Honorarium	Allowable	Speaker for seminar for trainees
Administrative Salaries	Allowable	May be allocated to help defray such expenses as staff salaries (such charges must meet the tests of allocability and reasonableness)
Books/Journal	Allowable	May be allocated if these items directly benefit the research and training of the project
Domestic Travel	Allowable	Only trainees or PIs with trainees may travel to enhance research experience (not from residence to institution)
Foreign Travel	Allowable	Only trainees or PIs with trainees may travel to enhance research experience (not from residence to institution)
Videotaping of Seminars	Allowable	If seminars are trainee-related and trainees would benefit as they provided unquestionable educational value, then may be allocated
Business Cards	Unallowable	Would not benefit research or training directly
Computers	Allowable	May be allocated by if computer is purchased by department for trainee use while appointed to the project or if sponsor approved and under \$5,000
Visa	Unallowable	May be allocated only on Fogarty Training Grants

Food	Unallowable	General food expenses for internal meetings are unallowable. Describe in this manner, these would be considered entertainment expense and as such as unallowable
Moving Expense	Allowable	Project funds may not be used for a prospective trainee's travel expenses to or from for the purpose of recruitment or relocation
Health Insurance	Allowable	Health insurance is allowable for individual and his/her dependents
Advertising	Allowable	Recruitment expenses may be allocated

Note that per the IRS regulations, some of these expenses represent gross income to the recipient.

## Appendix B: Cost Allocation Methodologies

Federal regulations establish principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. Whenever possible, specific expenses should be individually charged to a specific sponsored award. When it is not possible or efficient to determine how much of the cost is used for each award, allocation of the expenses is allowable. Allocation is the process of assigning a cost to one or more awards in reasonable and realistic proportion to the benefit provided to the individual projects.

As a general rule, there are four main guidelines to keep in mind when charging expenses to federal grants and contracts. All expenditures must abide by the following four principles.

All charges must be:

- Reasonable** A prudent person would have purchased this item and paid this price.
- Allocable:** Expenses can be allocated to the federal grant or contract activity based on benefit derived, cause and effect, or other equitable relationship.
- Consistently:** Treated like expenses must be treated the same in like circumstances.
- Allowable:** Permitted as a direct cost under the terms of a specific grant or contract.
- Reasonable:** A cost may be considered reasonable if the nature of the goods or services, and the price paid for the goods or services, reflects the action that a prudent person would have taken given the prevailing circumstances at the time the decision to incur the cost was made.

If an expenditure solely benefits one project, it should be charged entirely to that benefiting project. However, sometimes an expenditure can benefit two or more projects. Lab chemicals are an example of an expense that could potentially benefit more than one project. When this occurs, the expenditure must be charged in the same proportions as the benefits on the respective projects. (See "Examples" below.)

Note: The allocation may need to be based on estimates at first because the correct allocation percentages may not be known until the item purchased has been used. If this is the case and the

estimated percentages are not correct after the item has been consumed, a Cost Transfer will need to be completed to properly correct the allocation.

Any costs allocable to a particular sponsored research agreement may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns (deficits) or other fund considerations. Cost cannot be shifted to avoid restrictions imposed by law or terms of the sponsored agreement or for other reasons of convenience.

If a cost benefits two or more projects or activities, it must be charged in accordance with its benefits to each project respectively. Charges split between more than one grant must be split on the basis of proportional benefit or other reasonable method. The division of the expenditure cannot be split based on available funding or any other type of synonymous methodology. An expenditure that benefited two or more projects cannot be charged solely to one project because the other project is almost out of funding.

### **Allocation Methodology Criteria**

At CDU, allocation methodologies must meet **ALL** of the following criteria:

- The allocation must provide a reasonable linkage between the cost incurred and the benefit to individual sponsored agreements,
- The allocation methodology must be identified in advance for the allocation of expenses and documented in a way that a person unfamiliar with grants management would understand,
- Each methodology should be applied consistently for similar costs that meet the criteria of the allocation methodology, **and**
- Allocation methodology must be reviewed and adjusted periodically.

### **Documentation and Allocation Methodology Best Practices**

All expenditure allocations must be done on a rational basis. Prohibited allocation methodologies include any methodology based on rotation of budgets, funding or available funds.

- Always document the allocation methodology. 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 be made available for review. Always remember to document why measures such as headcount, square footage or hours directly relate to the benefit received.
- Allocate expenditures on a routine basis. Do not wait until the end of the fiscal year or the end of the grant year to allocate expenditures!
- Allocation methodologies should be reviewed periodically to ensure they are reasonable. Methodologies based on sampling, surveys, etc. should be reviewed and updated at least once each fiscal year. Changes to the population may signal the need to review the allocation methodology more frequently.
- Allocation methodologies need to be reviewed when the project begins and ends to ensure compliance.

- ❑ Ensure that the allocation methodology is documented prior to, or contemporaneously with, the costs being incurred and allocated.
- ❑ Document how measures, such as headcount, logically relate to the costs being allocated and the benefit received by the awards.
- ❑ Review allocation methodologies periodically to ensure they are reasonable.

Significant changes to the allocation statistics may signal the need to review the allocation methodology.

- ❑ Identify the allocation method that will be used in advance of purchasing or at the time of ordering the goods/services whenever possible (to avoid the need for manual journals and/or cost transfers).
- ❑ Do not use allocation methodologies that result in an over- or under-recovery of expense. An over-recovery of expense may result in a refund to the sponsor while an under-recovery may need to be funded by the department as cost sharing.
- ❑ Do not use any allocation methodology that is based on available sponsored funds, budgets, or to avoid restrictions imposed by law, terms of the sponsored award, or for other reasons of convenience
- ❑ Do not allocate expenses after the fact by use of journals and/or cost transfers without appropriate documentation.

### **Some Acceptable Allocation Methodologies (and examples)**

Different allocation methodologies may be required for different types of expenses.

- ❑ Allocation based on FTEs
  - Lab chemical purchased for use in a laboratory is needed for the technicians working concurrently on Projects A, B, and C in the amount of \$500/month. There is one technician working on Project A, two working on Project B, and three working on Project C. The expense allocated to Project A is \$83/month (1 technician / 6 total technicians x \$500/month). The expense allocated to Project B is \$167/month (2 technicians / 6 total technicians x \$500/month). The expense allocated to Project C is \$250/month (3 technicians / 6 total technicians x \$500/month).
- ❑ Allocation based on usage
  - The monthly cost of supplies/expendables to maintain a lab computer system is \$1,000. The computer system is solely used for Projects A and B. The computer operating system keeps a log of users and their time on the system. A reasonable base to allocate the expense would be computer user hours. Project A assistants have 100 combined user hours a month and Project B assistants have 80 combined user hours a month. The expense allocated to project A is \$560 (100 user hrs / 180 total user hrs x \$1,000). The expense to Project B would be \$440 (80 user hrs / 180 total user hrs x \$1,000).
- ❑ Allocation based on effort
  - A research assistant spends 80% effort on Project A and 20% effort on Project B. The research assistant uses supplies totaling \$3,000/month on the two projects. Usage is directly related to the amount of effort devoted to each project. Therefore, \$2,400

(80% of \$3,000) is charged to Project A and \$600 (20% of \$3,000) is charged to Project B.

### **Unacceptable Allocation Methodologies**

The following direct costing practices are generally unacceptable because they do not meet the standard for a high degree of accuracy in the assignment of costs to sponsored projects.

- Rotation of charges among sponsored projects by month without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored project
- Assigning charges to the sponsored project with the largest remaining balance
- Transferring expenses from other accounts at the end of a project period for the sole purpose of expending a residual balance.
- Setting the allocation based on the budgeted amount in contrast to charging an amount based on actual usage
- Assigning charges to a sponsored project in advance of the time the actual expense is incurred
- Describing a expense as something other than what it actually is
- Charging expenses exclusively to sponsored projects, when the expense also supports non-sponsored activities
- Assigning charges that are part of normal administrative support (indirect costs) for sponsored projects (e.g., computer charges, administrative salaries, office supplies, etc.)
- Allocating costs normally treated as indirect expenses directly to a project;