Cost Principles for Sponsored Projects Administration

Office of Cost Studies
Jennifer Mitchell, Associate Executive Director, Research Financial Operations
jmitchell@northwestern.edu / 847.467.2473

Effort Reporting (Compensation for Personal Services) Primary Contacts
Erin Farlow, Senior Financial Research Administrator
tinaMeta, Senior Financial Research Administrator
e-farlow@northwestern.edu / 312.467.3973
c-mete@northwestern.edu / 847.467.2473
Zoe Sing, Grant and Contract Financial Administrator
zoe.sing@northwestern.edu / 312.503.4002

Recharge / Service Centers Primary Contact
Sophie Gabbay, Senior Cost Analyst
s-gabay@northwestern.edu / 847.467.1142

Single audits start in FY16 (for fiscal years starting after December 26, 2014)

# Organization of Uniform Guidance

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Roles and Responsibilities

- Are you involved in managing these funds?
  Fund 610 to 650 (Sponsored) & 191 to 193 (Cost Share)
  - Research administration includes providing stewardship to appropriately manage grants and contracts at All Levels
- Internal Controls (Section 200.303)
  - **Must** maintain effective internal control over the federal award that provides reasonable assurance...
  - **Must** comply, evaluate and monitor compliance with federal statutes, regulations and the terms and conditions of the federal awards
  - **Must** take prompt action when non-compliance is identified
- **Direct Costs**: Costs that can be identified specifically with a particular sponsored activity and with a high degree of accuracy.
- **Indirect Costs**: Costs incurred for common or joint objectives that cannot be identified readily and specifically with a particular sponsored project.
• Direct and indirect costs allocable to sponsored agreements are comprised of many different kinds of costs from many different areas of the University

• **Direct costs examples:**
  • Subcontracts (both F&A and direct)
  • PI Salary, Lab Supplies
  • Specialized Equipment
  • Fringe Benefits
  • Animals
  • Post-Doc Salaries
  • Travel

• **Indirect costs examples:**
  • Admin Salary: Cost Studies, OSR, ASRSP, Dept. Chair time
  • Scientific Journals
  • Office phone
  • Office computer
  • Library
  • Building and equipment depreciation
  • Custodial Services
• These key principles help determine whether direct and indirect costs can be charged to a sponsored agreement
• Certain types of costs are deemed unallowable, as either direct or indirect costs of sponsored projects.
Unallowable Costs: Examples

- Uniform Guidance:
  - 200.423 Alcoholic beverages
  - 200.424 Alumni/ae activities
  - 200.429 Commencement costs
  - 200.438 Entertainment costs
  - 200.441 Fines, penalties and settlements
  - 200.442 Fund raising
  - 200.445 Goods or services for personal use
  - 200.450 Lobbying
  - 200.469 Student Activity Costs (including athletics)
- Agency-specific policy (e.g., NIH salary limitation)
- University policy (e.g., Employee morale costs)
- Award-specific terms & conditions (e.g., Some grants prohibit foreign travel)
• A cost maybe considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.
Can the charge pass the “Test of Reasonableness”?

- Common sense – will another prudent person make the same decision?
- How would it look if published in the Chicago Tribune?
- Is it consistent with ethical business practices and applicable laws?
• A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.
Allocability

An appropriate method should be used to allocate the costs of bulk purchases to individual project (see below)

Allocate based on a reasonable estimate of actual consumption
Allocate based on the number of grants in the department
Cost Allowability Guide

- To help you determine whether a given cost is allowable on a sponsored project, review the “Charging Sponsored Projects—Allowability Guide” available on ASRSP’s website:
  - [https://www.northwestern.edu/asrsp/expenses/cost-allowability-for-sponsored-charges.html](https://www.northwestern.edu/asrsp/expenses/cost-allowability-for-sponsored-charges.html)
  - Guide Direct Link: [https://www.northwestern.edu/asrsp/docs/charging_sponsored_projects_allowability_guide_v2.xls](https://www.northwestern.edu/asrsp/docs/charging_sponsored_projects_allowability_guide_v2.xls)
• To determine whether to charge an award for a particular cost, faculty and staff can follow a simple decision process
Check Your Knowledge:
Scenarios for Self Test / Study
Check Your Knowledge: Scenario 1 (Question)

- A final technical report for a Research Grant must be printed as well as other general correspondence. Should the paper be a direct or indirect charge? Why?
Check Your Knowledge: Scenario 1 (Answer)

- The paper would be an indirect charge. You would charge the paper cost to a non-sponsored account. It is not okay to directly charge the paper per CAS and the University direct charge policy:
  - The paper is being used for routine administrative tasks
  - Costs are not unusual circumstance
  - Costs are not greater in amount than usual
  - Costs are recovered in the F&A rate
Check Your Knowledge: Scenario 2 (Question)

- Paper is needed for a research grant to develop and print mass numbers of surveys to evaluate clinical outcomes. Should the paper be a direct or indirect charge? Why?
Check Your Knowledge:
Scenario 2 (Answer)

- The paper would be a direct charge. It is okay to directly charge because:
  - Costs are an unusual circumstance
  - Costs are substantively greater amount than usual
  - The project is unique in the amount of paper being used and the purpose for its use
Check Your Knowledge:
Scenario 3 (Question)

- My on-campus laboratory needs three laptops for internet access and e-mail. I have 3 federal awards that will benefit from the computers and I intend to allocate a share of the purchase to each award. I need these machines to perform basic, everyday communication. My research would cease if I didn't have them. Is charging these computer purchases to my sponsored research going to be a problem?
Check Your Knowledge:
Scenario 3 (Answer)

• The laptops are an indirect cost. You would charge the laptops to a non-sponsored account because:
  - *Reasonableness:* Laptop costs are generally indirect costs; additionally, devices may not be purchased for reasons of convenience.
  - *Allocability:* Machines are only essential and allocable to the project in that they are necessary 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. Laptops primarily used for internet access and email do not fall into this category, as these are administrative functions.
  - *Allowability:* Although classified as supplies, must still be essential and allocable to be considered allowable, though they need not be solely dedicated.
  - *Consistency:* In similar circumstances, costs for purchasing laptops for daily communications are indirect costs.
Computing Devices Cost Allowability: Additional Detail

- Computing Devices (computers, monitors, printers, back-up drives under $5,000) are **direct costs when essential and allocable** to the project in that they are necessary to acquire, store, analyze, process, and publish data and other information electronically and the project does not have reasonable access to other devices or equipment that can achieve the same purpose; devices may not be purchased for reasons of convenience. Devices do not need to be solely dedicated.

- Computing devices should be itemized in the proposal budget and the use of the devices must be explained in the justification. Evidence of essentialness and allocability must be documented and maintained. The PI is required to evaluate and ensure that the project does not have reasonable access to other devices that can achieve the same purpose.

- Justification is required for computing devices and supplies if not itemized in the proposal budget.

- See also: [https://www.northwestern.edu/asrsp/expenses/cost-allowability-for-sponsored-charges.html](https://www.northwestern.edu/asrsp/expenses/cost-allowability-for-sponsored-charges.html)
Check Your Knowledge:
Scenario 4 (Question)

- *Date this scenario took place: January 31st.* A department administrator received a request to purchase an instrument on January 31st. The instrument costs $4,000. The lab manager wants to charge 2 sponsored projects equally. One project will end on February 28th and the other will end on January 31st of the following year. You, the administrator, have been asked to review and submit the request. What will you do?
Check Your Knowledge: Scenario 4 (Answer)

- The instrument is not classified as capital equipment as it costs less than $5,000. The costs should not be charged to the two sponsored projects equally. The first project would end one month from the date the request was sent, so generally it should not be charged to the first sponsored project. If there is a special circumstance, supporting documentations must be provided for further review.