

## Direct Cost

### Wayne State University

## Guidelines for Budgeting and Charging Direct Costs on Sponsored Projects (1/1/11)

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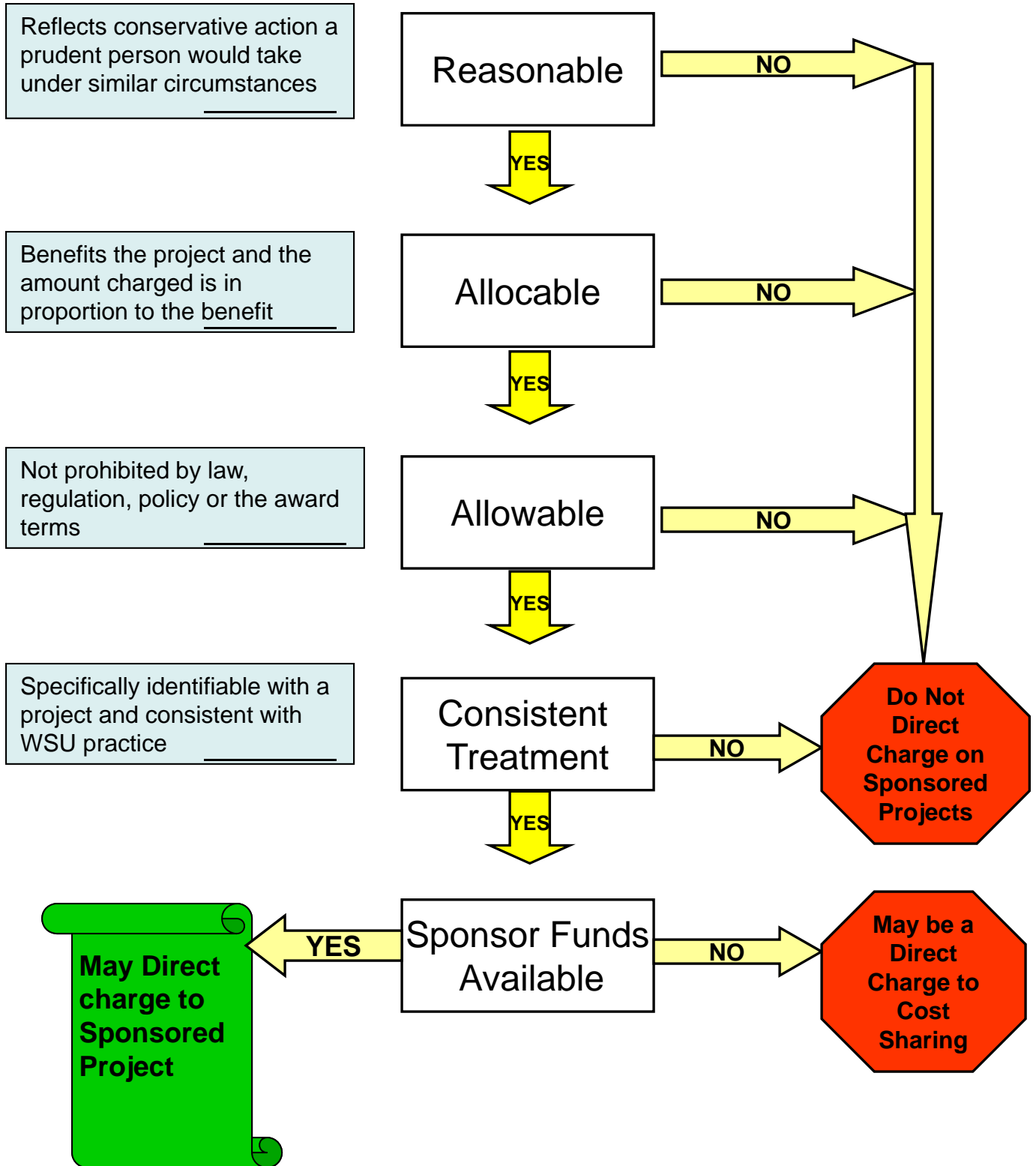
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# The Cost is.....



## Introduction

In accepting government-sponsored projects (grants, contracts, and other types of agreements) Wayne State University agrees to abide by government regulations regarding the use of those funds. Office of Management and Budget Circular A-21 sets forth general criteria for determining the allowability of direct costs on government-sponsored projects at educational institutions. Many government agencies publish additional cost guidelines; familiarity with such regulations is also necessary.

Although generally not as stringent as government requirements, non-governmental agencies may also have cost guidelines with which WSU faculty (principal investigators), departmental business officers and/or grant administrators should be familiar.

This Guide summarizes pertinent overall government regulations and WSU practices used to determine whether or not a particular cost item would be considered an allowable direct cost for budgeting and/or charging on a government-sponsored project. Auditors may use the same guidelines when conducting audits of government-sponsored projects awarded to WSU.

## Direct Costs: Definition and List of Criteria

### Government Definition of Direct Costs

Direct costs (see NOTE below) are those costs that can be identified specifically with a particular sponsored project, or that can be directly assigned to such activity relatively easily with a high degree of accuracy.

### Summary of Criteria for Determining Allowability of Direct Costs

For purposes of determining whether budgeting or charging a certain direct cost on a government-sponsored project would be appropriate, principal investigators, departmental business officers and/or grant administrators should be familiar with the criteria used to define "allowable direct costs." The cost must:

1. Be **reasonable**, i.e., the cost is generally recognized as necessary for the performance of the project and is one that a prudent person would consider reasonable given the same set of circumstances;
2. Be **allocable** to the sponsored project, i.e., the cost is incurred for the benefit of only one project, or the item can be easily assigned to multiple benefiting projects. A specific project may only be charged that portion of the cost that represents the direct benefit to that project
3. Be **treated consistently** with other similar costs incurred in like circumstances in accordance with generally accepted accounting principles; and
4. **Conform to any limitations** or exclusions stated in generally accepted accounting principles or in the sponsored agreement, i.e., the cost must be "**allowable**" and not specifically designated as **unallowable** by regulation or grant/contract specific award conditions.

Additionally, if **sponsor funds are available**, appropriate direct cost items should be charged to sponsor funds. Guidance for using appropriate Wayne State account codes is included in the section of this Guide titled "**Account Coding**." If sponsor funds are **not** available and it is determined that

the scope of work of the project cannot be modified to eliminate the need for the item, then the direct cost item should be charged to an appropriate non-restricted or cost-share account.

#### **NOTE**

***Direct Costs should be net of applicable credits. In accordance with Office of Management and Budget Circular A-21, Section C.5., the term "applicable credits" refers to those receipts or negative expenditures that offset or reduce direct cost items. "Typical examples of such transactions are: purchase discounts, rebates, or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. This term also includes 'educational discounts' on products or services provided specifically to educational institutions, such as discounts on computer equipment, except where the arrangement is clearly and explicitly identified as a gift by the vendor."***

### **Direct Costs: Reasonableness**

#### **A. Reasonableness**

##### **Government Regulation**

A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amounts involved therefore, reflect the action that a prudent person would have taken under circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are:

1. Whether or not the cost is of a type generally recognized as necessary for the performance of the sponsored agreement;
2. The restraints or requirements imposed by such factors as arm's-length bargaining, Federal and State laws and regulations and sponsored agreement terms and conditions;
3. Whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government and the public at large; and
4. The extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

### **Direct Costs: Allocability**

#### **B. Allocability**

##### **Government Regulation**

##### **Allocability: General Rule**

A cost is allocable to a particular sponsored project if the goods or services involved are chargeable or assignable to the sponsored project in accordance with relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a sponsored agreement if it:

1. Is incurred solely to advance the work under the sponsored agreement; or
2. Benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods.

### **Exception to Allocability Rule**

#### **Capital Equipment**

Where the purchase of equipment or other capital items is specifically authorized by the sponsor (NOTE: "authorized" means approved by the sponsor (or internally approved, if such internal approvals are allowed by the sponsor)), the amounts thus authorized for purchase are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.

#### **Cost Benefits Two or More Projects**

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefited projects on any reasonable basis. However, this allocation cannot be used to eliminate cost overruns.

### **Direct Costs: Allowability**

#### **C. Allowability**

##### **Government Regulation**

The following costs have been specifically identified by the Government as unallowable on Government grants and contracts in Office of Management and Budget Circular A-21.

However, individual agencies and programs have authority to approve certain costs. For example, it may be appropriate to budget "ALCOHOL" 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 purchase of alcohol in this instance would then be coded as a lab supply, not entertainment.

The following list 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. Advertising for recruitment purposes that includes color or is excessive in size;

3. Alcoholic beverages; Alcohol as a lab supply may be allowable when part of the research;
4. Alumni or fundraising activities;
5. Antiques;
6. Bad debt write-offs;
7. Charitable contributions;
8. Commencement expenses;
9. 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.*

10. 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.*
11. Decorative objects for private offices;
12. Entertainment;
13. Fine/original art;
14. Fines and penalties;
15. First-class/business-class air travel differentials;
16. Flowers;
17. Gifts, prizes and awards;
18. Goods or services for personal use;
19. Lobbying;
20. Memberships in airline travel clubs;
21. Memberships in civic, social, community organizations or country clubs;
22. Faculty and exempt staff salary in excess of base rates paid by the institution. Other limitations may apply, such as the NIH salary cap for projects funded by the National Institutes of Health ([http://grants.nih.gov/grants/policy/salcap\\_summary.htm](http://grants.nih.gov/grants/policy/salcap_summary.htm)). **[See below full text of government regulation concerning allowable rates of pay for faculty.]**
23. Selling or marketing products or services of the University; and
24. Social events.

### **Allowable Rates of Pay for Faculty**

#### **Salary rates for faculty members**

### **1. Salary rates for academic year**

Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member's regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his/her salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution. Since intra-University consulting is assumed to be undertaken as a University obligation requiring no compensation in addition to full-time base salary, the principle also applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency.

### **2. Periods outside the academic year (i.e., summer salary)**

(a) Except as otherwise specified for teaching activity in subsection (b) below, charges for work performed by faculty members on sponsored agreements during the summer months or other period not included in the base salary period will be determined for each faculty member at a rate not in excess of the base salary divided by the period to which the base salary relates, and will be limited to charges made in accordance with other parts of this section. The base salary period used in computing charges for work performed during the summer months will be the number of months covered by the faculty member's official academic year appointment.

(b) Charges for teaching activities performed by faculty members on sponsored agreements during the summer months or other periods not included in the base salary period will be based on the normal policy of the institution governing compensation to faculty members for teaching assignments during such periods.

### **3. Part-time faculty**

Charges for work performed on sponsored agreements by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for the part-time assignments. For example, an institution pays \$5000 to a faculty member for part-time teaching during the academic year. He devoted one-half of his remaining time to a sponsored agreement. Thus, his additional compensation, chargeable by the institution to the agreement, would be one-half of \$5000, or \$2500.

## **Direct Costs: Consistency**

### **D. Consistency**

#### **Government Regulation**

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (Facilities and Administrative – F&A) costs. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution (see "Wayne State's Treatment of Direct Costs" below).

#### **NOTE**

***Identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of sponsored agreements.***

Typical costs charged directly to a sponsored agreement are:

- The compensation of employees for performance of work under the sponsored agreement, including related fringe benefit costs *to the extent they are consistently treated, in like circumstances, by the institution as direct rather than indirect costs;*
- The costs of materials consumed or expended in the performance of the work; or
- Other items of expense incurred for the sponsored agreement, including extraordinary utility consumption.

The cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations may be included as direct costs of sponsored agreements, provided such items are consistently treated, in like circumstances, by the institution as direct rather than indirect costs (see "Wayne State's Treatment of Direct Costs" below), and are charged under a recognized method of computing actual costs, and conform to generally accepted cost accounting practices consistently followed by the institution.

#### **Wayne State's Treatment of Direct Costs**

The government requires that the major research colleges and universities disclose in writing their general practices regarding classification of costs as direct costs, because practices may vary between universities (e.g., University X may routinely budget and charge as direct costs long distance telephone expenses, while University Y does not).

At Wayne State, there are certain "like circumstances" where costs are consistently treated as direct costs of sponsored projects. Conversely, there are certain "like circumstances" where costs are not considered direct costs, and should NOT be budgeted or charged as direct costs on sponsored projects. Costs should not be counted as both a direct and indirect cost.

#### **Examples of Costs that ARE Normally Considered as Direct Costs at WSU**

At Wayne State, the following costs **ARE** normally budgeted and charged as direct costs. **The common element is that the cost is necessary to perform the project's stated scope of work.**



- Salaries and fringe benefits of faculty, technicians, post docs, graduate research assistants and other staff **engaged in performing sponsored project's scope of work**
- Supplies and materials **necessary for performing sponsored project's scope of work**
- Other costs such as travel, subcontracts, repairs, maintenance, fees and services, long distance telephone expenses, copying, postage and computers used in the performance of the project, etc., **necessary for performing sponsored project's scope of work**
- Capital equipment that is approved by the sponsor (or internally approved if allowed by the sponsor)
- Service/maintenance agreements on capital equipment approved by the sponsor (or internally approved if allowed by the sponsor)

### **Examples of Costs that are NOT NORMALLY Considered as Direct Costs at Wayne State**

At Wayne State, the following costs are **NOT** normally budgeted and charged as direct costs of sponsored projects:

- Salaries of individuals engaged in routine departmental or administrative work that benefits all activities of the department (instruction, research, training, public service, etc.), i.e., **there is no direct relationship to a specific sponsored project's scope of work**
- Supplies and materials for routine departmental or administrative activities of the department that benefit all activities of the department (instruction, research, training, public service, etc.), i.e., **there is no direct relationship to a specific sponsored project's scope of work**
- Other costs such as travel, repairs, fees and services, local telephone expenses, copying and postage that are for routine departmental or administrative use, **and do not have a direct relationship to a specific sponsored project's scope of work**
- General office items with multi-functional use such as office computers, fax machines, answering machines, staplers, hole punches, filing cabinets, chairs, desks, calculators, waste baskets, etc., **that do not have a direct relationship to a specific sponsored project's scope of work.**

### **Justification Required in Proposals and Budgets for Certain Costs to be Treated as Direct Costs**

For the following cost items (and for any others that a layperson may consider routine and administrative in nature), specific written justification as to the relationship between the cost and the proposed project's scope of work should be completed and submitted to the Sponsored Program Administration office.

- Computers
- Clerical and administrative salaries
- Office Supplies
- Postage

- Local telephone charges and Cell phones
- Memberships
- Subscriptions
- Meetings expenses and meals
- Recruitment- visa
- Items generally thought of as having multi-functional use, including answering machines, staplers, hole punches, filing cabinets, chairs, desks, printers, fax machines, calculators, waste baskets, etc.

**The documentation should explain the direct benefit relationship between these cost items and the proposed scope of work. (See WSU A-21 Allowability form.)**

***Identification with the sponsored work (i.e., the scope of work) rather than the nature of the goods or services is the deciding factor in determining direct costs.***

## **Direct Costs: Availability of Funds**

### **E. Availability of Funds**

If sponsor funds are available, appropriate direct cost items should be charged to sponsored funds in accordance with the account coding instructions in the following section: "Account Coding." If funds are NOT available, then the direct cost item should be charged to an appropriate non-restricted or cost share account. [Note: internal approvals may be required.]

## **PROCEDURES**

### **A. Roles and Responsibilities**

**Roles and responsibilities for the appropriate budgeting and charging of direct costs on sponsored projects:**

#### Principal Investigator

The principal investigator 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 WSU 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 WSU guidelines rests with the principal investigator.

According to the NIH Grants Policy Statement ([http://grants.nih.gov/grants/policy/nihgps\\_2010/index.htm](http://grants.nih.gov/grants/policy/nihgps_2010/index.htm)), a Program Director/Principal Investigator is “the individual(s) designated by the applicant organization to have the appropriate level of authority and responsibility to direct the project or program to be supported by the award. The applicant organization may designate multiple individuals as program directors/principal investigators (PD/PIs) who share the authority and responsibility for leading and directing the project, intellectually and logistically. When multiple PD/PIs are named, each is responsible and accountable to the applicant organization, or as appropriate, to a collaborating organization for the proper conduct of the project or program including the submission of all required reports. The presence of more than one PD/PI on an application or award diminishes neither the responsibility nor the accountability of any individual PD/PI.”

#### Department Chair/Research Administrator

The Department Chair/Research Administrator's role is to be a resource for principal investigators, advising on proper direct cost charging and budgeting practices within government and other sponsoring agency regulations and Wayne State guidelines. Department offices should maintain copies of government, other sponsoring agency and Wayne State policies and guidelines pertaining to sponsored projects.

#### Dean/Director

The Dean's/Director's role is to work with SPA to ensure guidance is provided to principal investigators and departments on criteria used to determine allowable direct costs on sponsored projects. Each Dean/Director is responsible for having a mechanism in place to ensure principal investigators and administrators understand accountability for direct cost budgeting and charging to sponsored projects.

#### Sponsored Program Administration

Sponsored Program Administration is responsible for providing consistent University-wide guidance on criteria used to determine allowable direct costs on sponsored projects. This includes providing Web-based information on policies and procedures, training materials for new personnel and timely dissemination of changes.

## **B. Account Coding**

### **What is an account?**

At WSU, budget line items are identified by a three-digit account code and individual expense transactions are given a three, four, five or six-digit account code. The account code classifies the transaction as salaries, fringes, supplies, travel, etc. To select the correct account code for sponsored project budget line items or expense transactions, the principal investigator and/or grant administrator should be familiar with Wayne State's account structure.

A complete listing of WSU account codes is maintained by Fiscal Operations. Each administrative assistant should be familiar with the codes available for use on sponsored projects. The most recent account code listing is available via Cognos (Report FMSSUP1).

### **Why is proper account coding emphasized?**

One of the elements most critical to successful financial administration of sponsored projects is the assignment of appropriate accounts to budget line items and expense transactions, for the following reasons:

1. Miscoded expenses can result in incorrect indirect cost charges.

*The account determines whether or not the cost will be included in "modified total direct cost" and therefore subject to indirect cost.*

2. Failure to identify capital equipment purchases can result in noncompliance with internal and external property management regulations.

*Federal regulations require that all capital equipment purchases be added to the central inventory system. The account code used on the capital equipment requisition is one method central equipment inventory offices use to identify capital equipment purchases required to be added to central inventories.*

3. Errors in account coding can result in inappropriate conclusions by the principal investigator and/or sponsor regarding financial status.

4. Improperly coded expenses can result in inappropriate conclusions by auditors and can adversely impact Wayne State's ability to effectively monitor for compliance with federal regulations regarding allowability.

*In an internal or external review or audit, the account code determines the type of review or audit procedure to which the expense is subjected, and whether the expense is viewed initially as allowable or unallowable.*

### **What are some of the special circumstances related to account coding?**

In many situations, there are several account codes that could appropriately be used, and it is up to the grant administrator; based on guidance from the appropriate dean, director, or department chair; to choose the code that best describes the good or service being acquired. Following are general comments on selected expense areas:

#### **Personnel: 61000-63000**

Salaries and wages and related fringe benefit accounts, 61000-63000, are used for individuals hired and paid through the WSU payroll system (Human Resource System - HRS), and the account codes used are determined by the job code assigned to the position.

#### **Supplies: 72100-72164**

For allowability reasons discussed later, proper distinction between office supplies and lab/research supplies is critical, particularly on government-funded projects.

#### **Travel: 7711-7734**

Foreign travel should be charged to account code 7715 "Travel, Foreign." Any entertainment costs to be reimbursed to a traveler must be charged to the appropriate entertainment account code, 7734.

**Other: 7217-729, 721H2 – 721Y32**

All other costs should be charged in this range of account codes. Please refer to the Chart of Accounts for a detailed description of these account codes.

**Subcontracts: 721H11 – 721HA**

Subcontract costs should be charged in this range of account codes.

**Capital Equipment: 711-714**

Capital equipment funded by the sponsor should be charged to accounts in the range 711 through 714. Effective July 1, 1996, capital equipment is defined as "an article of nonexpendable tangible personal property having a useful life of more than one year, and an acquisition cost of \$3,000\* or more per unit." [Colleges and Universities Rate Agreement, Section I: "Indirect Cost Rates" dated May 3, 1996.] The capitalization threshold for equipment cost at WSU is \$5,000.

**C. Proposing and Budgeting Funds**

Cost principles and the concepts of reasonableness, allocability, consistency and conformance must be taken into account when building a budget.

**“These four tests apply regardless of whether the particular category of costs is one specified in the cost principles or one governed by other terms and conditions of an award. These tests also apply regardless of treatment as a direct cost or an F&A cost. The fact that a proposed cost is awarded as requested by an applicant does not indicate a determination of allowability.”**

**NIH Grants Policy Statement 10/10; Part II, Subpart A: General – 7.2 The Cost Principles**

**Do all proposal budgets need to be detailed at the account level?**

No, not **all** proposal budgets need to be prepared at the account level. However, **funded** proposals must have budgets at the account level per the May 8, 1996 revision to Office of Management and Budget Circular A-21, Section C.10.:

Section C. 10. Consistency in estimating, accumulating and reporting costs.

a. An educational institution's practices used in estimating costs in pricing a proposal shall be consistent with the educational institution's cost accounting practices used in accumulating and reporting costs.

b. An educational institution's cost accounting practices used in accumulating and reporting actual costs for a sponsored agreement shall be consistent with the educational institution's practices used in estimating costs in pricing the related proposal or application.

c. The grouping of homogeneous costs in estimates prepared for proposal purposes shall not per se be deemed an inconsistent application of cost accounting practices under subsection a. when such costs are accumulated and reported in greater detail on an actual cost basis during performance of the sponsored agreement.

#### **D. Cost Transfers**

The appropriate allocation of costs among similar or interrelated projects should be made at the time a transaction is initiated in accordance with the WSU's Direct Charge Guidelines. The cost to be transferred must be shown to benefit the project and be allowable under federal guidelines, WSU consistent practice and the terms of the sponsored grant/contract receiving the charge.

#### **E. Expenditures Mechanisms and Safeguards**

- Purchase Order
- Pcard
- Electronic purchasing

## Appendix A: Inappropriate Practices

The following examples are intended to be illustrative of certain practices that can result in a direct cost disallowance during audits of sponsored agreements. They are not all-inclusive.

### Inappropriate Practices

- Purchasing goods, supplies, or equipment at the end of the project simply to use up unspent funds.
- Charging 100% of a direct cost item to a sponsored project if part of the item will be used by other projects or non-sponsored activities. [Capital equipment **approved by the sponsor** (or approved internally if allowed by the sponsor) is excluded from this requirement.]
- Replenishing departmental office supplies with grant funds.
- "Rotating" charges among sponsored projects by month without establishing that the rotation schedule credibly reflects the relative benefit to each grant.
- Assigning charges to the sponsored project with the largest remaining balance.
- Identifying a cost as something other than what it actually is by using an incorrect account code.

### Important Points

- In order to be allowable, direct charges must be assignable to a sponsored project "in accordance with benefits received."
- If the sponsored project could not have reasonably benefited from the items purchased, then the cost would not be allocable to the sponsored project.
  - Facilities and Administrative (F & A or "indirect") costs are costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.
  - The chief aim of the A-21 regulations is to have the federal government pay its "fair share" of the costs of research conducted at the University.
  - Allowability is not simply determined by what an item is, but how it will be used.
  - Identification with the sponsored work (i.e., the scope of work) rather than the nature of the goods or services is the determining factor in determining direct costs.

## Appendix B: OMB Guidance on Treatment of Administrative and Clerical Salaries

### TREATMENT OF ADMINISTRATIVE AND CLERICAL SALARIES

#### Question

Section F.6.b. of the July 1993 revision of Circular A-21 says that the salaries of administrative and clerical staff should normally be treated as indirect costs. This section goes on to say that direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and the individuals involved can be specifically identified with the project or activity. What is the intent of this provision and under what circumstances may these costs be directly charged to sponsored agreements?

#### Answer

This provision is intended to establish the principle that the salaries of administrative and clerical staff should usually be treated as indirect costs, but that direct charging of these costs may be appropriate where the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by academic departments. The costs would need to meet the general criteria for direct charging in Section D.1. [of Circular A-21], i.e., "be identified specifically with a particular sponsored project ... relatively easily with a high degree of accuracy," and the special circumstances requiring direct charging of the services would need to be justified to the satisfaction of the awarding agency in the grant application or contract proposal.

The following examples are illustrative of circumstances where direct charging the salaries of administrative or clerical staff may be appropriate.

- Large, complex programs, such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
- Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting, such as epidemiological studies, clinical trials, and retrospective clinical records studies.
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports). Projects that are geographically inaccessible to normal departmental administrative services, such as seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus. Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, IRB preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications.



## Appendix C: Selected Items of Cost

Below are examples of costs and the circumstances under which they may be incurred. Each cost/circumstance is marked to show whether it would be budgeted and charged as a direct cost following Wayne State's direct charge guidelines. These examples are not exhaustive, nor are they intended to imply that direct charging of sensitive items would always be appropriate for the situations illustrated in the examples.

Direct Cost?		YES	NO
<b>Salaries</b> expense incurred under the following circumstances <sup>1</sup> :			
1.	Encumbering funds, processing purchase orders, payroll documents and other expenditures, and reviewing monthly charges on a research grant (such as an "R01")		X
2.	Encumbering funds and processing purchase orders, payroll documents and other expenditures on a center/program project grant (administrative effort documented in proposal and justified due to the nature of the project as part of the scope of work)	X	
3.	Proposal development (writing, editing, copying and mailing proposals)		X
4.	Principal investigator effort to write annual project report	X	
5.	Data entry (data collected under project scope of work)	X	
6.	Data entry--financial transactions for a research grant are entered into financial shadow system (Note: may be considered a direct cost if part of the administrative budget on a program/project or center grant AND approved by the sponsor.)		X
7.	Coordinating Human Subjects on a large project: (effort documented in proposal as part of scope of work)	X	
<b>Supplies and/or services</b> expense incurred under the following circumstances <sup>2</sup> :			
1.	Copying costs for copying purchase orders, monthly ledgers		X
2.	Copying costs for annual progress reports	X	
3.	Mailing costs for shipment of research materials and deliverables if necessary to perform the project's scope of work	X	
4.	Copying costs for copying forms to mail out to survey recipients (survey is part of project scope of work)	X	
5.	Manilla folders for general office use		X
6.	Manilla folders for filing survey responses, lab results	X	
7.	Computer purchased to monitor scientific equipment	X	
8.	Computer to be used for correspondence, email, managing a shadow system		X
9.	Word Processing Software for general use		X
10.	Specialized Database Software to track research samples	X	
11.	Laptop used exclusively in a remote location to record subjects' information and data	X	

Where direct charges of sensitive items are made, care must be exercised to ensure that costs incurred for the same purpose in like circumstances are also consistently treated as direct costs for all activities.

Simply knowing the "nature of the good or service," for example, is not sufficient to determine whether the cost is an appropriate direct charge to a sponsored project. In order to make the determination, one must know the cost's relationship to the sponsored work. As stated above, administrative or clerical salaries, computers and office supplies MAY be budgeted and charged as direct costs under certain circumstances.

<sup>1</sup>For administrative or clerical salaries, consider the following:

- Can the person's activity be readily and specifically attached to the project with a high degree of accuracy?
- Is the percent direct charged the portion of the cost which represents the direct benefit to that project?
- Does the project scope necessitate the position, due to the project's special purpose or circumstance?

<sup>2</sup>For purchases, consider the following:

- Are you charging the sponsored project for costs of computers/supplies/communications that you usually charge to a departmental account?
- Is the amount included in the proposal budget for these items in keeping with the actual costs charged to the grant?
- Is the cost of the goods or services in accordance with relative benefits received?