

New York University
School of Medicine

Policy # 3.1

Charging Direct Costs to Sponsored Projects

Responsible Office: Finance/Restricted Funds

Original Issuance: 02/01/2002

Responsible Official: Robert Cohen

Last Revision: 02/01/2002

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I. Policy Summary & Purpose

This policy establishes guidelines for the budgeting and charging of direct cost expenditures to sponsored projects to ensure compliance with the federal regulations and consistency in accounting and costing practices.

II. Definitions

- A. Direct Cost** – Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity relatively easily and with a high degree of accuracy. Examples of direct costs include salaries and fringe benefits of faculty and technical staff working on the project, equipment and laboratory supplies, travel, subcontract costs, and service center charges.

- B. Facilities and Administrative Costs (“F&A”)** - F&A costs (also known as “indirect costs”) are those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project or other activity. Example of F&A costs include depreciation of NYUSOM buildings and equipment, operations and maintenance expenses and general and departmental administration expenses.

III. Policy Statement

A. Allowable costs.

In order for a cost to be an allowable charge against a sponsored project, the cost must be:

1. **Reasonable** – The cost must be necessary for the performance of the award and reflect the action that a prudent person would have taken.
2. **Allocable** - The cost can be identified specifically with the group of sponsored agreements relatively easily and with a high degree of accuracy.
3. **Consistently Applied** – All costs incurred for the same purpose, in like circumstances, must be treated consistently as direct costs only or an F&A costs only. This means that a particular type of cost should always be treated the same—as either a direct or indirect cost. Refer to Section D for special circumstances related to the treatment of administrative and clerical salaries.

In addition, certain costs may not be charged to sponsored projects either as direct or as part of the F&A rate. For a more detailed discussion of unallowable costs relating to Federal agreements, refer to OMB Circular A-21, Section J, and for other grantors, refer to their specific guidelines.

B. Unacceptable direct charging practices

The following practices are unacceptable, because they do not meet OMB Circular A-21's standard for a "high degree of accuracy" for charging the costs to sponsored projects:

- Rotating charges among projects without establishing a rotation schedule that credibly reflects the relative benefit to each project;
- Assigning charges to sponsored projects with the largest remaining balance;
- Charging the budgeted amount (in contrast to charging an amount based on actual usage);
- Assigning charges to a project before the cost is incurred (i.e., stockpiling supplies; charging for future service costs, etc.)
- Identifying a cost as something other than what is actually is, such as classifying supplies as equipment, or administrative costs as technical costs;
- Charging expenses exclusively to sponsored projects when the expense has supported other activities

- Lending to, borrowing from, otherwise transferring funds among projects without appropriate justification and/or prior written approvals from each of the respective agencies. (i.e. using funds from one sponsored project as a source of “bridge loan” funding for another project that is or would otherwise be in deficit)

C. Administrative and clerical salaries and general expenses

C.1 Administrative and clerical salaries and certain general expenses, such as office supplies, postage, and local telephone charges and memberships should be charged as F&A costs and normally should not be charged directly to sponsored projects.

C.2. In certain circumstances however, it may be appropriate to direct charge these expenses to a sponsored project. The direct charging of administrative and clerical costs may be appropriate when ALL four of the following conditions are met:

1. The administrative or clerical support is for a “major project”. A major project is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. Section D.3 below provides examples of major projects.
2. The costs can be specifically identified with the objectives of the project;
3. The costs are clearly identified in the proposal budget and a detailed explanation is provided which justifies the necessity for the cost, and
4. The costs must be approved and funded by the awarding agency as evidenced by the Notice of Award

If the administrative or clerical salary meets the first two conditions above, but was not included in the approved budget of the sponsored agreement, these charges may be charged directly to the agreement since the university has rebudgeting authority under federal regulations or specific terms of the agreement (if particular agreement falls under the expanded authorities, or see specific agreement terms, or contact the Office of Grants Administration and Research Services (OGARS). The rebudgeting must be in writing and the justification must include the same information that would have been provided had it been requested in the original budget submission. OGARS will review rebudgeting request and approve based on whether it falls within the agency’s guidelines for budget approval.

C.3 The following are examples of major projects where direct charging of administrative and clerical staff may be appropriate:

- Large, complex programs such as General Clinical Research Centers, center grants, program projects, environmental research centers, and projects that

entail assembling and managing teams of investigators from a number of institutions.

- Projects which 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 where the 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.
- Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project related investigator coordination and communications.

For actual situations that are not covered by the above examples, the PI should discuss the project's situation with the Office of Grants Administration and Research Services to determine the appropriate manner in which to charge the costs. For programs that do not require submission of a project budget to the sponsoring agency (such as NIH modular grants), the cost must be justified and approved by OGARS.

- C.4.** For non-federally sponsored projects, administrative charges that can be specifically identified with the project should be budgeted and assigned to the project.

IV. Roles & Responsibilities

- A. Principal Investigators** – The Principal Investigator is ultimately responsible for the fiscal management of the sponsored project in accordance with federal and sponsor guidelines and NYUSOM policy. PI responsibilities include:
- Prepare the proposal budget and justification for direct costs expenditures. In cases when clerical and administrative are proposed, the PI will ensure that the costs are clearly identified in the proposal budget and a detailed explanation is provided which justifies the necessity for the cost.
 - Maintains oversight for the project budget and the allowability of all direct cost expenditures.
 - Approves expenditures of project funds and provides scientific justification for the transaction.

- B. Office of Grants Administration and Research Services (OGARS)** – OGARS is responsible for reviewing all sponsored project proposal budgets and rebudgeting request for consistency with this policy. Where administrative and clerical costs are proposed as a direct cost in the project budget, OGAR will review for appropriateness.

- C. Restricted Funds Accounting** – Restricted Funds Accounting is responsible for the oversight of sponsored project accounts.

- D. Financial Analyst** – The Financial Analyst reviews and approves financial transactions on sponsored projects.

V. Applicable Regulations

OMB Circular A-21
Sponsor specific guidelines

VI. Attachments

Exhibit 1. Rebudgeting Form