



Colgate University
Guidelines for Charging Expenses to Federally-Funded Awards
December 10, 2010

I. Policy Statement

Colgate University expects that every member of its faculty and staff will comply with all government and institutional rules and regulations in the management of sponsored projects. It is the responsibility of the Principal Investigator (PI) to ensure compliance when spending funds on a sponsored project.

II. Purpose

This policy defines expenses that are allowable, how expenses should be charged to sponsored projects and it explains the difference between direct costs and indirect costs.

In this policy, a sponsored project is defined as any federally funded award, sub-award, contract, subcontract or other agreement.

III. Who Should be Knowledgeable about this Policy

- a. Principal Investigator (PI)
- b. Controller
- c. Assistant Controller
- d. Associate Provost
- e. Corporate, Foundation, and Government Relations (Grants Office)

IV. Applicable Federal Regulations:

Four Guiding Principles

According to OMB Circular A-21, Cost Principles for Educational Institutions, there are four guiding principles to assist in determining whether it is appropriate to charge a given cost to a sponsored project: reasonableness, allocability, allowability, and consistency. The criteria apply for both direct and indirect costs. All charges must pass the following four tests:

- They must be **reasonable**. They are recognized as necessary for the operation of the institution or the performance of the agreement. The nature of the commodities or services acquired or applied, and the amounts involved 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.
- They must be **allocable**. They must be incurred solely to advance the work under a sponsored project, or benefit both the sponsored project and other work of the institution, in proportions that can be approximated through the use of reasonable methods.
- They must be **allowable**. The charges must not be designated as “unallowable” under Section J of OMB Circular A-21, and must adhere to agency-specific policies, terms and conditions regarding specific items of cost, and other University policies.



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- They must be treated **consistently**. Costs incurred for the same purpose, in like circumstances, should be treated consistently as either direct or indirect costs of sponsored programs. This means any expenditure, including salaries and wages, lab and office supplies, equipment repair and maintenance, and services, all departments across the university must treat that cost in the same manner.

V. **Procedural Statement / Implementation**

This policy outlines how expenditures should be budgeted, charged and consistently applied to sponsored projects in order to meet external regulations.

The PI is responsible for reviewing, approving and charging all **direct costs** to his/her sponsored project.

The Assistant Controller is responsible for reviewing all purchases, all expenditures and notifying the PI of any inappropriate charges which must then be corrected. (See Award Monitoring Policy.)

The Assistant Controller is responsible for setting up the project with the correct indirect cost rate and base and to confirm that the appropriate amount of **indirect cost** is charged to the sponsored project.

VI. **Application of Allowability Standards at Colgate**

a. **Direct Costs:**

A direct cost of a sponsored project is one that can be identified specifically with that sponsored project or that can be assigned to a sponsored project with relative ease and a high degree of accuracy. General cost categories that may be charged as direct costs to individual sponsored projects include, but are not limited to:

- salaries, wages, and related fringe benefit costs of sponsored project personnel. Such individuals typically include PI's, Co-Investigators, research staff, and lab technicians. Salaries, wages, and fringe benefits for administrative personnel (such as administrative assistants) should **not** be charged directly to a sponsored project since these costs are reimbursed through the facilities and administrative (indirect) rate. Note: individual awards may provide for specific exceptions when these costs may be charged directly;
- laboratory, scientific, and technical materials, services and supplies obtained from internal as well as external vendors;
- scientific equipment costs (general equipment such as copiers or computers for use on multiple projects should **not** be charged directly to a sponsored project);
- travel costs;
- consultant/subcontract costs;



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- lab notebooks, data storage supplies and report binders, and other supplies that are used exclusively in support of the project and are consumed completely in the course of the project (office supplies are generally not allowable, see exceptions below); and
- other direct costs as specifically required, budgeted, and/or approved as necessary to accomplish the purpose of the individual sponsored project

b. Indirect Costs:

Indirect costs of sponsored projects are those that are incurred for common or joint objectives and cannot be identified readily or specifically with a particular sponsored project, or any other institutional activity. Colgate uses a negotiated rate that is a percentage of salaries and wages. Costs that are normally charged as indirect costs include, but are not limited to:

- salaries, wages, and fringe benefits for administrative personnel (see previous section);
- costs related to the university's physical infrastructure, including building and equipment depreciation (or use allowance), interest associated with external debt issuances to finance facilities-related projects, and operations and maintenance (i.e. utilities, janitorial services);
- sponsored-project administrative costs including the offices of Accounting & Control and Corporate, Foundation, and Government Relations;
- costs of the university's libraries; and
- materials, supplies, and services of a more general nature, such as office supplies, general/administrative copying services, and office equipment maintenance.

c. Exceptions – Charging Indirect-type Costs as Direct Costs:

In certain circumstances, costs that are normally charged as indirect costs to sponsored projects may be charged as direct costs. Justification for these types of charges must be well documented by the PI and approved by the Assistant Controller. Circumstances where direct charging of indirect costs as direct costs include, but are not limited to:

- 1) **Photocopies:** These expenses are allowable direct charges to a sponsored project only if it can be documented that there is a direct benefit to the project (e.g. surveys).
- 2) **Office Supplies:** These expenses are allowable direct charges to a sponsored project only if it can be documented that there is a significantly greater amount required for a project than would normally be consumed (e.g. a large number of envelopes are needed to mail surveys).



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- 3) **Meetings and Conferences:** Costs of meetings and conferences, whose primary purpose is the dissemination of technical information, can be charged to a sponsored project if it is specifically provided for in the awarded budget.

d. Unacceptable Direct Charging Practices:

Costs must be timely and meet the terms and conditions of the sponsored project award and a test of reasonableness. **It is the responsibility of the PI to monitor the sponsored project award budget** and ensure that purchases are made in a timely and appropriate manner, as purchases should be consumed while benefiting the project to which they are charged. The following are inappropriate direct charging practices:

- 1) cost-shifting in order to meet budget or funding deficiencies;
- 2) assigning costs to other sponsored projects in order to avoid sponsor restrictions;
- 3) assigning equipment or supply expenditures at the end of a project. Any significant purchases made towards the end of a project period are highly suspect, as it is generally not reasonable to expect that such items will be able to benefit the award;
- 4) increasing salary expenses on a project with an available balance when it is not consistent with the actual effort expended;
- 5) charging an expense exclusively to one sponsored project when the expense was used to support other activities;
- 6) assigning expenses to a sponsored project before the cost is incurred; and
- 7) assigning expenses that are part of the normal administrative support for sponsored projects (e.g. proposal preparation or accounting for the project)

e. Charging Expenses to Multiple Projects

If an expense benefits two or more sponsored projects in proportions that can be determined without undue effort or cost, the expenditures should be allocated to the project proportionally. If proportions cannot be determined due to interrelationship of the work, then costs may be allocated using another reasonable basis.

The following are some appropriate allocation methodologies:

- Effort;
- Space;
- Head count;
- FTEs per project;
- Number of experiments;
- Percent (%) PI time in lab; and
- Percent (%) of lab-staff time in lab.

The following are prohibited allocation methodologies:

- Splitting the costs evenly across projects;



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- Project budgets; and
- Available funds.

For any allocation basis used, written support should exist, on a case by case basis, to describe how the allocation was determined.

f. Unallowable costs:

Certain types of expenses are unallowable as either direct or indirect costs. OMB Circular A-21, Section J provides a list of expenditure types that are typically unallowable. In general, the items of cost indicated below should not be charged to a federally sponsored project, in whole or in part, UNLESS the award dictates allowability, and there is a justifiable need for the item in the awarding agency approved proposal budget.

- Advertising/Public Relations
- Losses on Sponsored Agreements (overruns)
- Memberships in Community Organizations/Social Clubs
- Marketing Costs
- Student Activity Costs
- First Class Air Travel
- Lobbying Costs
- Interest Expense for Operating Procedures
- Honoraria
- Alcoholic Beverages
- Alumni Activities
- Bad Debts
- Charitable Contributions
- Entertainment
- Fines and Penalties
- Office supplies
- Subscriptions

VII. Other Applicable Policies

- a. Procurement Policy
- b. Travel Policy
- c. Award Monitoring