

**3349-20-15 Direct charging sponsored projects and unallowable costs.****(A) Purpose**

The university is required to ensure that any costs charged to federally sponsored programs follow costing requirements set forth in the office of management and budgets (“OMB”) uniform guidance (2 C.F.R. 200). This rule also provides a foundation for direct charging costs to other, non-federally sponsored programs.

**(B) Scope**

This rule applies to all individuals involved in the decision making process for direct charging costs to sponsored programs.

**(C) Definitions**

Consult rule 3349-7-01 of the Administrative Code.

- (1) “Direct Costs” refer to those costs that can be identified specifically with a particular sponsored program. Direct costs must also be allocated to one or more sponsored programs on a reasonable basis, where those direct costs benefit multiple projects or activities. If a cost is already included in the indirect cost rate (example, facilities and administrative costs rate), then it should not be charged again as a direct cost.
- (2) “Indirect Costs” or “Facilities and Administrative Costs (F&A)” refers to those expenditures that have been incurred for common or joint objectives and cannot be readily identified with a particular sponsored program or activity. These costs consist of overall support of sponsored research activities and are therefore recovered through the university’s “F&A” rate. Some examples include depreciation of buildings and equipment, the costs of operating and maintaining facilities, utility costs, library costs and general, department, and sponsored programs administration.

- (3) “Allowable Costs” are those costs that are necessary and reasonable to perform the scope of work of the sponsored program. Allowable costs must also conform to the terms and conditions of the sponsor, of the award, and of the university’s policies and procedures, the award terms and conditions. Allowable cost should be substantiated, by proper documentation or justification, to support its allocation to the sponsored program(s) being charged.
- (4) “Unallowable Costs” refers to costs that are typically not permitted as direct or indirect “F&A” costs. Examples include alcohol, entertainment, fundraising, development, and bad debts. There may be sponsored programs that permit these types of costs in special circumstances. Prior written approval is required from the sponsor before these items can be purchased. Refer to the selected items of cost related to sponsored programs document for additional items that may require sponsor approval and are typically an unallowable cost.
- (5) “Sponsored Program” refers to an award funded via a grant, contract, cooperative agreement or subcontract from a federal, state or local government entity, the private sector, or an institution of higher education, whereby the university agrees to perform a certain scope of work, in accordance with terms and conditions set by the sponsor, for specific, budgeted monetary compensation.
- (6) “Allocable Costs” refers to costs incurred to benefit a sponsored program and charged based on the proportional benefit of that cost to the sponsored program. If a cost benefits multiple sponsored programs and/or other university activities, then the costs must be allocated accordingly.
  - (a) 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 of funding constraints on another project.

(b) Any costs allocable to a particular project may not be shifted to other sponsored programs in order to meet deficiencies caused by overruns (deficits) or other fund considerations. Costs cannot be shifted to avoid restrictions imposed by law, by terms of the sponsored program, or for other reasons of convenience.

(7) “Consistent Treatment” means that each item of cost incurred for the same purpose must be treated consistently in like circumstances either as a direct or an indirect “F&A” cost in order to avoid possible double-charging of federal awards.

(8) “Reasonable Costs” refers to costs incurred that reflect the judgment a prudent person would have used under the circumstances prevailing at the time of the decision. Costs must be reasonable relative to the nature or type of cost incurred and the price paid for the items in relation to the benefit received.

(D) Body of the rule

Costs to sponsored programs must meet the following criteria:

- (1) Be adequately documented.
- (2) Must be charged accordingly as either a direct cost or an indirect cost “F&A.”
- (3) Must be a reasonable costs, allocable costs, allowable costs, be accorded consistent treatment in order to be charged to the grant.

- (4) Must not be included as a cost or cost-sharing requirement of any federally-funded sponsored program unless allowed under specific statute and sponsor approval.
- (5) May include unlike circumstances where costs that are normally "F&A" types of costs (such as administrative and clerical salaries, computing devices, memberships, office supplies and postage) may be directly charged, when all of the following criteria have been met:
  - (a) The costs are integral to a project or activity;
  - (b) The costs can be specifically identified with the project or activity;
  - (c) The costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
  - (d) The costs are not also recovered as indirect costs.
- (6) May allow a typically unallowable costs in special circumstances with prior written approval from the sponsor.

Appendix A: guidance for direct charging select items of cost

The following items are typical items of cost that may be directly charged to sponsored programs:

- (A) Personnel—faculty, staff and students devoting effort to a sponsored program.
- (B) Fringe benefits—associated fringe benefits, charged based on a calculated fringe benefit rate.
- (C) Supplies—items used in the sponsored program (example, pipettes, reagents, etc.).
- (D) Travel costs—cost associated with project staff traveling to conferences, meetings or off-campus work sites to discuss research, disseminate project related information, learn new research techniques, or carry out project-related tasks.
- (E) Equipment—items costing more than five thousand dollars that are used on the project; some sponsors require prior approval to purchase equipment using sponsored program funds.
- (F) Equipment maintenance contracts—the costs of service contracts for equipment used in sponsored programs, prorate to reflect the project period.
- (G) Independent contractors—outside services or people who assist with a project-related task.
- (H) Sub recipients—outside organizations performing a portion of the scope of work of the project with discretion as to how the scope of work will be carried out.
- (I) Animal per-diem charges and services—the costs associated with utilizing the comparative medicine unit for protocols associated with the sponsored program.

- (J) Participant costs—cost associated with ~~the recruitment and participation of human subjects in research studies, which may include travel reimbursement, patient remuneration (example, cash or gift cards) and other associated costs.~~ items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of the participants or trainees (but not employees) in connection with conferences, or training projects.

Appendix B: guidance for unlike circumstances

The following items are items of cost that are typically included in the facilities and administrative costs rate; however, because of unlike circumstances may be permissible as direct costs:

- (A) Administrative or clerical staff—may be permissible as a direct cost when all of the following conditions are met:
  - (1) The costs are integral to a project or activity;
  - (2) Individuals involved can be specifically identified with the project or activity;
  - (3) Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
  - (4) The costs are not also recovered as indirect costs.
- (B) Office supplies—are not allowable for routine department administration; however, if the sponsored program requires incurring such costs they may be permissible as direct costs. For example, printing training materials, conducting surveys and extensive data accumulation may qualify as unlike circumstances to permit direct charging of the associated costs of these activities.
- (C) Computing devices—means 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. These may be directly charged when necessary and allocable to the sponsored program.
- (D) Memberships—typically not permitted as direct costs, unless the costs are essential, vital, or fundamental to the project’s goals and objectives; and such costs are explicitly included in the budget and budget justification or have been approved on the direct charging justification form.

- (E) Postage—similar to office supplies, routine postage for department administration is not allowable; however, some projects may require shipping devices, samples, animals, or surveys and the associated postage, where allocable, may be directly charged to the sponsored program.

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CERTIFIED ELECTRONICALLY

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Certification

10/24/2019

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Date

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