A MESSAGE FROM CAROLINE C. WHITACRE

The research community has been very successful in recent years in obtaining significant federal dollars to support our research programs. These funds come with the expectation that they will be spent wisely and in accordance with the federal requirements. The university takes very seriously its responsibility to ensure compliance with all relevant federal requirements and has numerous processes in place to assist investigators. One of the federal requirements is that we be consistent in categorizing and charging costs as either direct or indirect. The government has identified certain costs as not generally allowable as direct charges to federally funded projects. The document below discusses a number of categories of cost that cause most concern and confusion. It also includes, as a reminder, some project management practices that should be avoided. Please take a few moments to review these important requirements. Thank you very much.

To: Principal Investigators on Federally Sponsored Projects
   College Research Officers
   Senior Fiscal Officers
   Administrative Research Council Members

From: Jeffrey Kemper, Senior Director, Financial Services & Procurement, OSP

Subject: Allowable Costs on Federally Sponsored Projects

The purpose of this communication is to remind investigators and department research support staff about research costs that generally cannot be charged directly to federally sponsored projects because they are already reimbursed in the F&A costs recovered by the university for these projects.

Our primary source of guidance concerning costs charged to federally sponsored awards is 2 CFR Part 220 (formerly known as OMB Circular A-21, Cost Principles for Educational Institutions). The guidance specifically addresses charging to “direct costs” expenditures that are usually part of the “facilities and administrative costs” (F&A costs) rate. It is the responsibility of the units that benefit from the F&A recovery to ensure that adequate institutional funds are provided to investigators to cover these costs.

At the end of the communication we list some other project management practices that should be avoided.
NORMALLY UNALLOWABLE COSTS

The most commonly encountered normally unallowable cost categories are discussed below.

**Office Supplies**
General purpose office equipment and supplies are normally not allowable as a direct cost. This category includes printers, fax machines, postage machines, office and lab furniture, printer paper, toner cartridges, pens, pencils, legal pads, clips, rubber bands, post-it notes, notebooks, binders, folders, and departmental stationery.

Laboratory supplies such as lab notebooks, data storage supplies (e.g., CDs, CD jackets and wallets, USB drives, and zip storage devices), aluminum foil, paper towels, supplies for packaging, labeling and preserving specimens, and materials required for poster or publication preparation (poster board, photographic supplies, colored paper) are allowable.

**Computers**
Laptop and desktop computers are normally not allowable as a direct cost. General purpose computers are part of the normal infrastructure that the institution is expected to provide for its research staff.

Computers that control and monitor scientific equipment, however, represent a different circumstance or use of such equipment and would typically be allowed as a direct charge. For an excellent example of how to decide whether or not a computer is an allowable cost, see the link to the Harvard allowability presentation at the end of this document.

**Copier Charges**
Copier and copier card costs that are incidental to most projects are normally not allowed as a direct cost.

Research publication costs that can be readily identified with the project are allowable.

**Postage**
Postage and express delivery charges (Fed Ex, UPS) are normally not allowable as a direct cost on a federal sponsored project.

Postage for a program requiring surveys by mail would be allowable, as would shipping research specimens to another institution for additional analysis.

**Telephones**
The costs of local telephone lines/hardware used to conduct routine business of the project may not be direct charged to a project. These services are expected to be supplied
as part of the basic institutional infrastructure.

Cell phones and prepaid long distance calling cards should not be direct charged to federally sponsored projects because there is no easy or accurate way to monitor usage or to ensure project relatedness.

Long distance charges are allowable if they are directly related to and easily identifiable to the project (by a university plus number, not part of a flat fee cell phone bill).

Memberships
The dues for individual memberships in professional and scientific organizations are not allowable direct costs to federally sponsored projects. They are considered professional development expenses and should be paid from discretionary or personal funds.

A membership in a professional or scientific organization is allowable if joining is the only means of obtaining a specific journal or periodical directly related to a grant or contract, or is required in order to present project results at the organization’s meeting.

Books and Journals
Books and journals are generally expected to be provided as part of normal library services and are not allowable direct costs to federally sponsored projects.

Books not available from the library or other sources, or specific books needed so often that a library copy is not sufficient are allowable.

The cost of a journal or subscription may be directly charged if the content is specifically and solely related to the grant or contract.

More detailed information on cost allowability can be found in the Useful Resources section at the end of this document.

PROPOSAL BUDGETS

There are some projects in which the administrative or other costs normally considered indirect are sufficiently extensive and identifiable that they can be charged directly. In order for such charges to be deemed allowable, the following questions should be addressed in the proposal process:

1. How are the costs specifically identified with the objectives of the project or activity?
2. Because all projects are expected to receive a certain level of administrative support (for account reconciliation, ordering supplies, processing payroll appointments, etc.) how does the proposed charge differ from the standard level expected to be provided by the institution for all projects?
3. Can the proposed charges be easily and accurately documented as appropriate to the project? How will this be done?
If possible, unusual costs should be explicitly listed in the university-proposed and sponsor-approved budget.

POST AWARD APPROVAL

In cases where specific proposal budget approval is not provided by the sponsor (e.g., NIH awards with modular budgets) and the budgeting authority has been delegated to the institution, the Office of Grants and Contracts can approve a normally unallowable cost if the cost can be documented as meeting A-21 criteria for allowability. This local approval normally applies only to grants, not contracts.

Please be aware that the post-award approval process should not be used to circumvent the integrity of the proposal budgeting process.

UNACCEPTABLE PRACTICES

The university is required to adhere to high ethical standards in order to continue receiving federal research funds. The following practices are unacceptable and put the entire institution in jeopardy:

- Purchasing items to spend down an unobligated balance.
- Rotating charges among projects as a convenience.
- Assigning charges to a project on the basis of the remaining balance, to resolve availability of funding issues, or simply to avoid the loss of carry-forward balances.
- Charging the budgeted amount (in contrast to an amount based on actual usage).
- Assigning charges to an award before the costs are incurred.
- Charging an expense exclusively to a single award when the expense clearly has supported several activities.
- Applying a unit “tax” to projects to distribute departmental support expenses.
- Transferring an overrun from one sponsored project to another, without express sponsor approval.
- Direct charging indirect cost items because a department will not provide funds.
- Giving someone else your password to perform your compliance tasks.

AUDIT RESOLUTION

All sponsored projects are subject to audit by the sponsoring agency, and all expenses may be questioned. The procedures outlined above are not guaranteed to prevent disallowances. In the event a cost is rejected, the responsibility for covering the cost will belong to the academic unit.
USEFUL RESOURCES

The link below will take you to a presentation by Harvard University that illustrates the decision process for determining if a computer can be directly charged to a project. This process is applicable to other items as well.

http://osp.osu.edu/documents/Harvard_Allowability_Presentation.ppt

Additional information can be found in the university’s Sponsored Programs Costing Policy at the following link:

http://osp.osu.edu/administration/sponsored_cost.cfm