

Direct Cost Charging Guidance

WHAT AM I ALLOWED TO INCLUDE IN MY BUDGET AS DIRECT CHARGES?

It Depends.....

Ask yourself: Is it necessary to the performance of the statement of work and allowable as a direct charge according to federal, state, and university policies and rules? Or, would it be considered an indirect cost?

Direct Costs: Those costs that can be identified specifically with a project and charged to an award, or proportionally to multiple awards. Direct costs are incurred solely for a project's activities. Direct costs must be:

1. **Allowable** –

- Be necessary and reasonable for the performance of the project
- Conform to the requirements under 2 CFR 200 **and** to the terms and conditions of the award
- Adhere to policies and procedures that apply uniformly to both federal and non-federal funds
- Be consistently treated as either a direct or indirect (F&A) cost
- Be determined in accordance with generally accepted accounting principles (GAAP)
- Not included as a cost or used to meet cost sharing or matching requirements of any other federal award
- Be adequately documented

2. **Reasonable** –

- Cost does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost

3. **Allocable** -

- Cost to an award is in proportion to the relative benefits from that cost.

Indirect Costs: Indirect (F&A) costs are costs that support multiple activities and cannot be readily assigned to a project. Indirect costs are sometimes called facilities and administrative (F&A) costs, because the costs support general university functions and operations. Indirect (F&A) costs occur irrespective of sponsored projects.

Below are examples of allowable and unallowable direct cost charges to typical sponsored projects:

Budget category	Allowable?	NOTES
Additional pay for employees	Rarely	Typically allowable only when it is across department lines, in addition to normal duties (see also Salaries), and approved by the sponsoring agency
Administrative & Clerical salaries	Rarely	Typically only allowable when tasks are particularly burdensome, beyond that which is normally provided, effort can be reasonably calculated (see also Salaries)

		and approved by the sponsoring agency
Alcohol	No	Except when used in research studies and specifically identified in the proposal and approved by the sponsoring organization
Alumni activities	No	
Bad Debt	No	
Computers	Yes	When needed specifically for the project; not for general use
Computer Software	Yes	Specific to the project; not general software/services provided by university IT
Consultants	Yes	Must be no greater than the rate they would charge other users
Donations	No	
Entertainment	Rarely	Only if specifically allowed in the award
Equipment	Yes	Any one item over \$5,000 with a useful life of 1 year or more; OR multiple components (each less than \$5,000) totaling more than \$5,000, necessary to build a fabricated piece.
Fee for service	Yes	Must be at the same rate charged to other users
Fines and Penalties	No	
Food	Maybe	Only if specifically allowed in the award – for instance hosting a conference or workshop to allow continuity, or for snacks for an after-school program (see also meals)
Fundraising	No	
Human subject payments	Yes	NOTE: Not considered “participant support costs”
IT support	No	IT support at the university or college level is typically considered an indirect cost
Lobbying	No	
Maintenance agreements	Yes	When necessary for equipment specific to the project

Materials and supplies	Yes	Project specific – must be beyond routine office supplies necessary to complete the project
Meals	Maybe	Generally allowable when in travel status (see also Food)
Membership fees	Maybe	Institutional memberships only; individual memberships are unallowable
Office supplies	Rarely	Only if project specific and in quantities not supported by department
Participant Support costs (Trainees) <ul style="list-style-type: none"> • Stipends • Subsistence • Travel • Tuition • Other expenses 	Yes	For conference grants or training projects only.
Postage or shipping fees	Maybe	When directly related to the project – for example mailing supplies needed for human subject surveys and data.
Proposal preparation fees	No	
Publication costs	Yes	To disseminate results
Registration fees	Yes	Conference registrations
Rental or lease of facilities <ul style="list-style-type: none"> • On or off-site 	Yes	
Salaries, wages & fringe benefits for personnel <ul style="list-style-type: none"> • PI • Co-PI • Postdoc • Technician • Grad students • Undergrad students • Admin or clerical 	Yes Yes Yes Yes Yes Yes Rarely	Must be at current institutional base salary (IBS) rate; additional pay is typically unallowable. (see also Additional Pay) Admin/clerical salaries are typically unallowable.
Service Charges	Yes	
Subscriptions, books, journals, etc.	Yes	If project specific
Subcontracts	Yes	
Telecom supplies and services	Maybe	If specifically needed for the project – for example, the

		installation of a dedicated phone line and phone for a project director.
Termination or suspension costs	No	
Travel costs <ul style="list-style-type: none"> • Airfare • Lodging • Meal per diem • Rental car/transportation • Mileage • Misc. costs 	Yes	Travel must facilitate the implementation of the project (collaborations) or enable the PI to present project results (conference attendance). Approved federal lodging and meal rates must be used.
Tuition	Yes	Graduate students only – should be proportional to appointment. Students must be appointed at a monthly rate (not hourly). Exempt from F&A.