



Charging Direct Costs to Sponsored Research Programs

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Office of Research
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I. Policy Purpose

This policy establishes guidelines for the budgeting and charging of direct costs to sponsored projects to ensure compliance with OMB Uniform Guidance [2 CFR 200](#), federal and other sponsor regulations, and consistency in accounting and costing practices.

II. Policy Scope and Applicability

This policy applies to all sponsored research projects conducted by, at or under the auspices of New Jersey Institute of Technology (NJIT).

III. Definitions

A. **“Administrative Expenses”** means administrative and clerical salaries and non-salary administrative expenses that should be normally charged as F&A Costs and normally should not be charged as direct costs to specific sponsored projects. Section IV.C.i below provides examples of administrative expenses (See CFR 200.413 Direct Costs (c)).

B. **“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. Section IV.D below sets forth NJIT’s policies with respect to charging Computing Devices as Direct Costs (See CFR Part 200.20 and 200.453).

C. **“Direct Costs”** means those costs that can be identified specifically with a particular sponsored project relatively easily and with a high degree of accuracy. Identification with the sponsored work rather than the nature of the goods and service involved is the determining factor in classifying the cost as directly associated with a sponsored agreement. Examples of Direct Costs include salaries and fringe benefits of faculty and technical staff working on a Sponsored Project, equipment and laboratory supplies, travel, subcontract costs, and service center charges used in support of the sponsored project.

D. **“Facilities and Administrative Costs”** or **“F&A Costs”** or **“Indirect Costs”** means those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular Sponsored Project, instructional activity or other institutional activity. Examples of F&A Costs include costs associated with the depreciation of NJIT’s buildings and equipment, operational expenses, maintenance expenses, general administration expenses, and departmental administration expenses.

E. **“NJIT”** includes all NJIT Colleges, Departments and Centers all entities that are controlled by any of them, except where specifically excluded.

F. **“OMB Uniform Guidance”** means The Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also known as the Uniform Guidance), 2 CFR 1, Chapter II, Part 200, et al.

G. **“Sponsor”** means a federal, state or local government agency, foundation, or private organization that is providing financial support of a Sponsored Project.

H. **“Sponsored Project”** means an externally funded activity conducted at or under the auspices of NJIT that is governed by specific terms and conditions. Separate budgets and accounts are typically established for Sponsored Projects. Sponsored Projects may include grants, contracts, and cooperative agreements for research, training, participant support and other sponsored programs.

IV. Policy

A. **Allowable Costs.** In order for a cost to be an allowable charge against a Sponsored Project, the cost must be:

- i. Reasonable – The cost must be necessary for the performance of the Sponsored Project and reflect the action that a prudent person would have taken.
- ii. Allocable - The cost can be identified specifically with the Sponsored Project in reasonable proportion to the benefit provided or other equitable relationship.
- iii. Consistently Applied – All costs incurred for the same purpose, in like circumstances, should be treated consistently as Direct Costs only or F&A Costs only. Particular types of costs should always be treated as Direct Costs or F&A Costs for all Sponsored Projects. Refer to Section IV.C. below for special circumstances related to the treatment of Administrative Expenses and Section IV.D. below for special circumstances related to Computer Systems.

In addition, certain costs may not be charged to Sponsored Projects either as Direct Costs or as part of the F&A Costs. **OMB Uniform Guidance, Subpart E** contains a more detailed discussion of unallowable costs relating to federally sponsored; Sponsored Projects. Grants, contracts, or cooperative agreements may also contain specific guidelines regarding unallowable costs.

Additionally, for audit purposes, all direct expenses must be able to be supported by documentation and exceptional cases would require adequate explanations and justifications as requested.

B. **Unacceptable Direct Cost Charging Practices.** In accordance with the OMB Uniform Guidance standard for a “high degree of accuracy”, NJIT will not engage in any of the following practices for charging Direct Costs to a particular Sponsored Project:

- i. Rotating costs among Sponsored Projects without establishing a rotation schedule that credibly reflects the relative benefit to each Sponsored Project;
- ii. Assigning costs to a Sponsored Project because it is the Sponsored Project with the highest outstanding balance;
- iii. Charging the amount budgeted for a Sponsored Project when the budgeted amount differs from the actual costs;
- iv. Assigning charges to a Sponsored Project before the cost is incurred (e.g., stockpiling supplies or charging for future service costs);

- v. Identifying a cost as something other than what is actually is (e.g., classifying supplies as equipment or administrative costs as technical costs);
- vi. Charging costs exclusively to one or more Sponsored Projects when the cost has supported other activities; and
- vii. Lending to, borrowing from, or otherwise transferring funds or expenses among Sponsored Projects without appropriate justification and/or prior written approvals from each applicable Sponsor (e.g., using funds from one Sponsored Project as a source of “bridge loan” funding for another Sponsored Project).

C. Administrative Expenses (including Administrative and Clerical Salaries and Non-Salary Administrative Expenses).

- i. General Rule and Definition. As a general rule, NJIT will not charge administrative and clerical salaries or other administrative costs as Direct Costs to Sponsored Projects. Administrative and clerical salaries and certain non-salary administrative expenses should normally be charged as F&A Costs and normally should not be charged as Direct Costs to specific Sponsored Projects. Examples of “Administrative Expenses” are:
 - a. Administrative and clerical salaries;
 - b. Office supplies;
 - c. Postage;
 - d. Local telephone charges;
 - e. Membership dues; and
 - f. Other general expenses.

The only circumstances where Administrative Expenses may be charged as Direct Costs to a Sponsored Project are outlined in Sections IV.C.ii. and iii.

- ii. Exception - Proposal Budgets. In certain circumstances, however, it may be appropriate to charge Administrative Expenses as Direct Costs to a Sponsored Project.
 - a. Administrative Expenses may be charged as Direct Costs to a Sponsored Project only when **all** the following conditions are met:
 - The administrative or clerical services (where applicable) are integral to the Sponsored Project;
 - The individuals and/or costs involved can be specifically identified with the Sponsored Project;
 - The costs are (i) explicitly included in the proposal budget for the Sponsored Project and (ii) a detailed explanation is provided by the Principal Investigator to the pre-award services unit which justifies the necessity for the cost for the Sponsored Project; and
 - The costs are not also recovered as indirect costs.
 - b. For federal grants and contracts, in addition to the above conditions, Administrative Expenses that are *administrative and clerical salaries* may only be charged as Direct Costs to a Sponsored Project once written approval has been obtained.

- c. Pre-award Services will not approve or submit a proposal budget charging Administrative Expenses as Directs Costs to a Sponsored Project unless all applicable conditions listed above are satisfied.
- iii. Other Exceptions. Notwithstanding the above, charges of Administrative Expenses specifically identified with the objectives of the Sponsored Project may be justified and approved by the pre-award services unit as Direct Costs when:
 - a. no submission of a proposal budget for the Sponsored Project to the Sponsor is required (e.g., fixed price and milestone based contracts), or
 - b. a Sponsored Project is not federally sponsored and prohibits the assessment of F&A costs.

Each justification shall include a proposal budget for the Sponsored Project.

D. Period of Fund Availability

Sponsored projects have a limited time period in which the recipient must use the available funds. This is known as the Performance Period, or Period of Fund Availability.

Federal regulations prohibit the use of funds from a grant award outside its specified time period, unless authorized by the awarding agency. All direct charging of expenses must be obligated and incurred within the period of fund availability.

If a PI realizes that he/she will be unable to expend its awarded funds, the assigned program officer should be contacted within 30 to 90 days before the award ends to request for an extension or modification to allow spending outside the original period of fund availability.

E. Equipment, major supplies or other capital items

It is expected that all purchases related to a research project are to support and be used during the grant period. The guide to how long before the end of a grant new purchases should stop is whether the purchase will benefit the grant purpose before the end of the grant. For example, equipment purchased less than 90 days before the end of the grant is questionable. For any equipment, major supplies (including computing devices) or other capital items requested less than 90 days prior to the award end date, the PI must provide adequate and acceptable justification for the timing of this purchase towards the end of the award. Purchases for use after the grant end date are not allowable unless there is explicit written permission from the sponsor indicating that the sponsor allows those purchase expenses and will reimburse NJIT.

Purchases to replenish stocks, or to replace equipment or supplies used during the grant are not allowable towards the end of the award. New blanket orders for supplies are not allowable at the end of a grant.

Travel and other purchases to disseminate the grant research results are acceptable just before the grant end date.

F. Computing Devices.

Computing devices costing less than \$5,000 are not considered equipment and therefore are treated as supplies and materials. Therefore, if a computing device is to be acquired for use in the performance of a

federal award, the computing device may be charged to the federal award provided that:

- it is essential (i.e., necessary) to performing the work under the award, and
- the cost is allocable and reasonable

NJIT will only charge Computing Devices as direct costs to sponsored projects when the Computing Devices are essential and allocable to the performance of the specific Sponsored Project. Computing Devices do not need to be solely dedicated to the Sponsored Project to be charged as a Direct Costs. The purchase of a Computing Device does not require submission of the Direct Charging of Administrative Costs to Sponsored Projects Request Form contemplated by Section IV.C. above.

G. Unallowable Costs

There are an identified group of categories that are not allowed to be charged on federally sponsored agreements, or other sponsored program awards. Some of these items include but are not limited to the following:

- i. Advertising and Public Relations Costs - Costs of advertising media, public relations, and corollary administrative costs are unallowable, unless directly related to the performance of a sponsored project. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like. Public relations includes community relations and means those activities dedicated to maintaining the image of the University or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.
- ii. Alcoholic Beverages - Costs of alcoholic beverages are unallowable.
- iii. Alumni Activities Costs incurred for, or in support of, alumni activities and similar services are unallowable.
- iv. Bad Debts - Any losses, whether actual or estimated, arising from uncollectible accounts and other claims, related collections costs, and related legal costs, are unallowable.
- v. Commencement and Convocation Costs - All costs related to commencements and convocations are unallowable.
- vi. Contingency Provisions - Contributions to a contingency reserve or any similar provision made for events, the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable.
- vii. Donations and Contributions - Donations and contributions, including cash, property, and services, made by the University, regardless of the recipient, are unallowable.
- viii. Entertainment - Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.
- ix. Fines and Penalties - Costs resulting from violations of or failure of the University to comply with, Federal, State, and local or foreign laws and regulations are unallowable.

- x. Fund Raising - Costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, are unallowable.
- xi. Goods or Services for Personal Use - Costs of goods or services for personal use of the University's employees are unallowable.
- xii. Lobbying- Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, legislation, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity, are unallowable.
- xiii. Losses on Other Sponsored Agreements or Contracts - Any excess of costs over income under any other sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to, the University contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for F&A costs.
- xiv. Memberships - Costs of membership in any civic or community organization or country club or social or dining club or organization are unallowable.
- xv. Pre-Award Costs - Costs incurred prior to the effective date of the sponsored project are unallowable unless approved by the awarding agency.
- xvi. Selling and Marketing - Costs of selling and marketing any products or services of the University are unallowable.
- xvii. Student Activity Costs - Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the sponsored agreement.
- xviii. Unallowable Directly Associated Costs - Costs that are directly associated with the unallowable costs are also unallowable. A directly associated cost is defined as any cost which is generated solely as a result of the incidence of another cost, and which would not have been incurred had the other cost not been incurred. An example of a cost that is directly associated with an unallowable cost is the cost of airfare to go to another city for the purpose of entertaining business associates or for fundraising. Since entertainment and fundraising costs are expressly unallowable and the airfare would not have been incurred had the unallowable costs not been incurred, the airfare is an unallowable directly associated cost.

V. Responsibilities

A. **Principal Investigators:** The Principal Investigator is ultimately responsible for the fiscal management of the Sponsored Project in accordance with the guidelines of the Sponsor and NJIT's policies. The Principal Investigator is responsible for actions such as:

- i. Preparing the proposal budget for the Sponsored Project and the justification for any Direct Costs in the proposal budget. When proposals include charges of Administrative Expenses as Direct Costs, the proposal budget and/or rebudgeting request must clearly identify such charges and include a detailed explanation justifying the necessity of such cost, using the Request & Approval Form for Direct Charging of Administrative & Clerical Salaries and/or Non-Salary Costs or Rebudgeting Form, where appropriate. For further information regarding budget

revisions due to programmatic plan changes, please refer to the *Policy on Budget and Expenditure Monitoring for Sponsored Research Programs*.

- ii. Maintaining oversight for the Sponsored Project budget and the allowability of all Direct Cost expenditures.
- iii. Approving all expenditures of Sponsored Project funds.
- iv. Providing a scientific justification for all expenditures of Sponsored Project funds.

B. Pre- Award Services: The pre-award unit is responsible for reviewing all Sponsored Research Project proposal budgets and rebudgeting requests for consistency with this Policy and the Sponsor's terms and conditions, and for providing policy and budgetary guidance to Principal Investigators. The Office of Research will approve a proposal and award budgets for a Sponsored Projects that include charges of the Administrative Expenses as a Direct Cost only if appropriate and consistent with this Policy and the sponsor's terms and conditions.

C. Post Award Management Unit: The post award unit is responsible for reviewing all Sponsored Project accounts for unallowable expenses, for eligible expenses alignment to approved budget and for consistency with this Policy and the Sponsor's terms and conditions. In the event that there are unallowable costs on the grant, the post award unit will work with the PI, department or College to identify a non-grant funding source to cover these expenses. (*See Policy on Cost Transfers on Sponsored Research Programs.*)

VIII. Authority and Responsibility

The Office of Research has institutional authority for the matters addressed in this policy. Questions related to this policy are to be directed to the executive director, sponsored research programs administration.

Related Policies and Regulations

Policy on Cost Transfers on Sponsored Research Programs

Policy on Budget and Expenditure Monitoring for Sponsored Research Programs

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also commonly called the Uniform Guidance), 2 CFR 200.413 and .453.