

**SPONSORED PROGRAMS EXPENDITURE GUIDELINES***Purpose*

Costs charged to federally sponsored programs must be reasonable, allocable, and allowable charges under applicable federal standards, and they must be permitted under the terms of the specific award and charged consistently. Costing guidance in the OMB circulars does not generally apply to non-federal sponsored awards. Non-federal sponsors occasionally have expenditure policies of their own (or they ask award recipients to adhere to federal regulations and guidelines).

Most federal and non-federal sponsoring agencies or organizations issue their own policy guidelines and directives defining acceptable costs for purposes of their program(s). Despite a great deal of commonality as to content, there are sufficient variations in policies to make it impractical to issue and maintain a policy compendium. Individual agency or organizational directives must be consulted for authoritative guidance.

This guidance outlines the allowability and importance of the proper treatment of costs on federally funded projects and provides guidance for determining allowable costs on federally sponsored awards and ensure compliance with the Uniform Guidance.

The Office of Management and Budget developed the Uniform Guidance (2 CFR, Part 200 Subpart E) to describe the treatment of costs on sponsored project activities (direct and indirect) that can be billed to the federal government. The Uniform Guidance applies to all federally funded projects including federal funding through a non-federal agency. The cost principles also identify those charges that typically cannot be charged to sponsored awards and are considered unallowable expenses.

*Who Should Use This Guidance*

All Principal Investigators and administrators at Hawai'i Pacific University who are responsible for budgeting and expenditures charged to sponsored awards must comply with these guidelines.

*Key Cost Principles for Federal Awards*

For any costs to be charged directly to a federal award the expense must be:

**Allowable Costs**

A cost that is allowable must also be:

- Necessary and Reasonable for the performance of the award and be Allocable.
- Conform to any award limitations or exclusions.
- Consistent with policies and procedures that apply to both Federal and other non-Federal activities.
- Consistently treated.
- 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 federally-financed program in either the current or a prior period.
- Adequately documented.

## **Reasonable Costs**

Typical tests to determine if a cost is reasonable:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the Federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.
- Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

## **Allocable**

This standard is met if the cost:

- Is incurred specifically for the sponsored project;
- Benefits both the sponsored project and other work of the University and can be distributed in proportions that may be approximated using Reasonable methods; and
- Is necessary to the overall operation of the University and is assignable in part to the sponsored project.

## *Treatment of Specific Types of Expenses for Federal Awards*

This section provides guidance for some of the more common types of costs associated with federal research expenditures. Refer to the Cost Principles in Subpart E, §200.400-200.475 of the Uniform Guidance for the full listing of types of costs. Please contact OSP with any specific questions.

In general, there are three categories of expenses:

1. *Direct Expenses* – These expenses can normally be directly charged to federal awards. However, the terms and conditions of the sponsored award must be reviewed prior to determining the appropriateness of expenses for each individual project.
2. *Indirect Costs* – Sometimes referred to as facilities and administrative (F&A) costs or overhead, these expenses may not be charged as direct expenses to federal awards unless the costs meet the criteria outlined in the Uniform Guidance.
3. *Unallowable Expenses* – These costs may not be charged to a federal award either as a direct charge or indirectly as recovered through the F&A rate.

## **Alcoholic Beverages**

*2 CFR §200.423*

Costs of alcoholic beverages are unallowable.

## **Bad Debts**

*2 CFR §200.426*

Bad debt or uncollected billings, including losses (whether actual or estimated) from uncollectable accounts and other claims, are unallowable and may not be charged to a federal award. Collections and legal expenses related to bad debt are also unallowable.

## **Communication Expenses (cell phones, internet)**

*(2 CFR Appendix II)*

Due to the difficulty in identifying portions of a communications bill to a specific award or other university activity with a high degree of accuracy and certainty, communication expenses are generally included in the indirect cost calculations and treated as indirect costs. Only when a communication expense meets the criteria outlined in the Uniform Guidance can they be directly charged to a sponsored award.

*Communication expenses charged as indirect costs include the following:*

- Charges for landline telephone services
- Cell phones, smart phones, or other personal digital assistant, “PDA,” device charges
- On-campus or home Internet access or network connectivity fees

*What communication costs can be charged as a direct expense?*

Communication expenses that can be linked to a specific sponsored project with a high degree of accuracy and are used primarily for the sponsored project may be charged as a direct expense. Examples of communication expenses that may be charged as a direct cost include the following:

- Itemized long distance telephone charges for communication related specifically to an award
- Communication devices used exclusively for conducting surveys
- Telephones and PDAs used exclusively to manage a multi-site research project
- Dedicated telephone lines set up to receive data feeds from the field or conduct surveys
- Hotel and airline Internet fees during travel related to an award
- Incremental expenses for international coverage for Harvard employees in travel status
- Cell phones in remote locations where communication infrastructure is limited

## **Conferences**

*(2 CFR §200.432)*

A conference fee may be charged as a direct expense if **one** of the following circumstances is met:

- The researcher and /or research team are presenting results of the research obtained during the course of his or her work on the project;
- The researcher can confirm that the purpose of the conference is directly related to that of the award being charged; **or**
- An aim of the award is for the PI to host a conference to disseminate information from the sponsored project.

Conference fees are treated as an indirect cost when the employee attends the conference to gain a general understanding of the topics presented, rather than to receive or present specific information related to a sponsored award. Conference fees that are not specifically related to an award should be charged to a college or departmental account.

## **Contributions and Donations**

*(2 CFR §200.434)*

The value (either monetary or in-kind) of donated services and property are unallowable and may not be charged as either a direct expense or an indirect cost.

## **Entertainment costs**

*(2 CFR §200.438)*

Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

## **Equipment**

*(2 CFR §200.439, §200.33, §200.452)*

Equipment, including fabrications, with a total acquisition cost of \$5,000 or greater is considered capital equipment and may only be charged as a direct expense when it is necessary for the performance of the sponsored award.

- *Special purpose equipment* is equipment that is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, genomic sequencers, imaging equipment, and spectrometers.
- *General purpose equipment* is equipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, telephone networks, information technology equipment and systems, air conditioning equipment, and reproduction and printing equipment.

General purpose equipment is generally treated as an indirect cost because it cannot be easily linked to a particular cost objective. Equipment types that are typically considered “general purpose” may only be appropriate as a direct expense when the PI is able to justify that the equipment is necessary for the unique scientific/technical tasks of the specific agreement, not already available, and will be initially utilized almost exclusively for the award objectives.

### *Equipment Repairs*

Routine repair and maintenance of general-purpose equipment are normally treated as indirect costs. Service, repairs or warranty costs for special purpose equipment dedicated to a sponsored project may be charged directly.

### *Equipment Purchases at the End of Award*

Equipment purchases charged directly to an award must be necessary for performance on the project; therefore, equipment purchases near the end of an award period should have additional scrutiny and may be subject to project-specific justification and/or sponsor approval.

## **Materials & Supplies (Books, journals, periodicals and subscriptions; Computing devices; and Copier charges)**

*(2 CFR §200.453, §200.94)*

General purpose materials and supplies purchased and used by departments for all activities should not be directly charged to federal awards. Examples include copy paper, office supplies, and cleaning materials.

Items purchased specifically for one or more research projects may be charged as direct expenses. If the use of the items is shared among projects or labs, an allocation methodology should be created, documented and periodically reviewed.

Examples of office supplies that may be charged as a direct expense include:

- Office supplies specifically purchased for a program project or a survey funded by a grant
- Material required for poster or publication preparation (poster board, photographic supplies, color paper for a presentation that is directly attributed to the sponsored project)
- Computing Devices – see section below

***Books, Journals, Periodicals and Subscriptions (2 CFR §200.454)***

Books, journals, periodicals, and subscriptions are normally treated as indirect costs.

Examples of unallowable charges:

- General or reference texts, including medical dictionaries
- Books, manuals, reprints that generally assist the PI in keeping up with his/her field of research
- Publications that provide a general benefit to research and teaching activities
- Subscriptions to journals

These expenditures may be charged as direct expenses only in unusual circumstances. Examples include:

- The book or journal is not available in the library and can be associated specifically with the sponsored award
- The book or journal is available from the library but is utilized so frequently for a specific award that a library copy is not sufficient
- A book contains a specific research technique or information that will introduce efficiencies to the research or improve the quality of results

***Computing devices (2 CFR §200.453, §200.94, §200.20, §200.33)***

*Definition:* 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.

Computing devices that cost less than \$5,000, and are essential and allocable to the performance of an award, may be charged directly either as a purchase or a lease. Charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a federal award.

Examples of computers that can be charged as direct expenses include:

- A laptop specifically needed to record data in field research
- A computer physically attached to another piece of scientific equipment and/or required for collection and analysis of information/data
- A computer used primarily on the designated sponsored award
- A computer that will remain property of the University (and not the personal property of an individual)

Computing devices may be allocated to multiple sponsored awards if the project’s portion of the use can be reasonably estimated and is directed by the PI. The expense should be properly allocated to all benefitting activities.

- If a device will be used only in part for an award’s activities, the award may only be charged for a portion of the device’s expense.
- University-funded activities such as instruction and administration should bear at least their fair share of the acquisition expense.

- De Minimis use of the device for other activities is allowed as long as the device is being used primarily on the sponsored project(s).

### ***Copier Charges***

Copier charges for general administrative support of a project should not be charged as a direct expense.

Copy charges may only be an appropriate direct charge in cases when **both** of the following criteria are met:

- The awarding agency has approved the direct charge in the awarded budget or there is subsequent agency approval. The copy expenses associated with a project are extraordinary and meet the “unlike purpose and circumstance” criteria, **and**
- The copy expenses are an integral part of the specific tasks associated with the sponsored award and can be separately tracked.

### **Memberships, Dues and Professional Activity Expenses**

*(2 CFR §200.454)*

Dues and memberships in professional organizations are normally charged as indirect costs because their purpose is more general in nature – i.e., furthering a PI’s knowledge in his/her field – and cannot be identified with a high degree of specificity to an individual research project.

Membership may be charged only if it is required for conference attendance where the researcher is presenting his or her research or obtaining, circulating, or distributing information to advance the performance of the project.

Note: the membership fee is allowable as a direct cost to the project if it reduces the overall cost of attending the conference.

### **Participant Support Costs**

*(2 CFR §200.75, §200.456)*

*Definition:* Direct expenses for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.

Participant support costs are allowed if all of the following criteria are met:

- The costs are programmatically justified;
- The costs are explicitly included in the budget and the budget is approved or prior written approval is received from the Federal awarding agency; **and**
- The expense does not take indirect costs.

Note: NIH will only allow Participant support costs to be charged if they were approved in the original Funding Opportunity Announcement.

### ***Rebudget***

Per 2 CFR §200.308(c)(5), prior approval is required to transfer funds budgeted for participant support costs to other categories of expenses.

### **Professional Service Costs**

*(2 CFR §200.459, §200.435)*

Costs of professional and consultant services are allowable as direct expenses when **all** of the following conditions are met:

- The service has been determined as allowable and necessary for the federal award;
- The professional or consultant is not an employee of HPU; and
- The expenses are reasonable in relation to the services rendered (i.e., the service cannot be performed more economically by direct employment).

All HPU employees must be budgeted as salary and cannot be included as consultants, advisors or vendors.

Retainer fees for professional services must be supported by evidence of bona fide services available or rendered. Any professional service costs related to defense and prosecution in criminal and civil proceedings are unallowable.

### **Travel Costs**

*(2 CFR §200.474)*

Travel-related expenses are allowable as direct expenses when they provide a direct benefit to the sponsored award.

See the University's Sponsored Travel Policy and Fly America Act.

### *Other Related Information*

#### **Pre-Award Expenses**

*(2 CFR §200.209)*

Pre-award expenses are expenses incurred on grant awards typically during the 90 days prior to the award start date that are necessary for effective execution of the project. These expenses require sponsor approval and follow the same cost principles as expenses charged during the project period. For some federal sponsors with awards under expanded authorities, such as NSF and NIH, the incurrence of pre-award expenses, up to 90 days, is allowed without sponsor approval.

Any expenditure incurred while an account is in advance status is made at the college or department's risk.

#### **Unallowable Expenses**

*(2 CFR §200.410)*

Payments made for costs determined to be unallowable (either as direct or indirect) must be refunded to the federal government. PIs and departments are responsible for working with OSP to ensure that direct and indirect funds relating to unallowable expenditures are either returned to the federal government or offset in the award.