

DIRECT COST



Sponsored Projects Administration
UNIVERSITY OF GEORGIA

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Last Reviewed:	06/23/2020
Owner:	Jill Frazier Tincher
Area:	Sponsored Projects Admin
Applicability:	UGA System-Wide

POLICY AND PROCEDURE

PURPOSE:

The purpose of this policy is to ensure compliance with the standards set forth in the Federal Office of Management and Budget 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200), Federal and State regulations, and sponsor-specific requirements. This policy provides guidance which will assist University of Georgia (UGA) personnel proposing, performing and managing sponsored activities. Direct costs on sponsored projects must be allowable, allocable, and reasonable.

Failure to comply with UGA policies and procedures may result in audit findings, suspension of sponsored activities, closer monitoring by the sponsor, delays in final payments, and/or other enforcement actions imposed by the sponsor. This policy applies to all Federal and non-Federal sponsored activities, including all externally funded activities.

SCOPE:

All UGA personnel must be aware of the complex and detailed rules provided under Federal, State regulations, as well as terms and conditions of individual sponsored activities.

POLICY:

Sponsored projects will comply with all applicable Federal, State and/or sponsor-specific costing policies. This is applicable to building proposal budgets, negotiating sponsored projects, setting up sponsored projects, as well as initiating, approving, invoicing and reporting costs.

In order to maintain financial integrity, direct costs must adhere to the following criteria:

1. Direct costs must be:
 - a. Allowable;
 - b. Necessary and reasonable;
 - c. In conformance to any limitations or exclusions;
 - d. Consistent; and
 - e. Adequately documented per the guidelines described in 2 CFR 200 and any sponsor-specific requirements.

Costs that are not allowable cannot be charged to a sponsored project.

2. Direct costs must be incurred during the life of the sponsored project/budget period.
3. Direct costs submitted within the last 30 days of the life of the project/budget period are subject to higher scrutiny to confirm the charges are: (a) necessary for the completion of the project; (b) not used solely to expend the remaining balance of the project funds; and (c) not used to cover costs from another project.

4. Equipment purchases within the last six months of the life of the project/budget period require written justification from the PI/unit and may require prior authorization from the sponsor, which will be obtained by Sponsored Projects Administration (SPA).
5. Prior authorization from the sponsor is often required for participant support costs, foreign travel, pre award spending, changes in scope, significant rebudgeting, etc. Sponsored Projects Administration (SPA) will obtain all prior authorizations.
6. Direct cost allocation must adhere to applicable Federal and State regulations and other sponsor-specific requirements, UGA policies and University System of Georgia (USG) policies.
7. Direct costs must be charged to the appropriate chartstring within the UGA Financial Management System. Direct costs that may be attributed to more than one project must be allocated based on a reasonable proportion of the benefits received.
8. Direct costs must be properly justified with sufficient supporting documentation. This includes, at a minimum, invoices, statements, and receipts along with appropriate classification. In some cases, a detailed explanation may be required in order for a reviewer to understand the purpose of the cost and conclude whether it is appropriate for the project.
9. Costs must be treated consistently as direct or indirect (Facilities & Administrative) costs:
 - a. §200.414 (b) recognizes it is not possible to specify the types of costs that may be classified as indirect in all situations, but states that typically general expenses and general administration costs would not be charged directly, but would be supported through Indirect/F&A Costs. Costs incurred for the same purpose, in like circumstances, must be treated uniformly as either direct or Indirect/F&A Costs. Costs included as an Indirect/F&A Cost in UGA's federally negotiated Indirect/F&A Cost Rate Agreement are not normally treated as a direct cost on awards funded by Federal funds. Direct charging of these costs may be appropriate only if all of the following conditions are met:
 - i. Administrative or clerical services are integral to a project or activity;
 - ii. Individuals involved can be specifically identified with the project or activity;
 - iii. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
 - iv. The costs are not also recovered as Indirect/F&A Costs.
 - b. Salary costs for administrative and clerical personnel are normally treated as Indirect/F&A Cost and should not be directly charged to the sponsored projects unless all of the requirements of 9a above are met.
10. Direct costs must be correctly categorized by utilizing UGA's financial management system;
 - a. Direct costs must be categorized appropriately in order to invoice and report the financial activity for sponsored projects.
 - b. Unallowable costs must not be disguised as allowable by purposefully altering UGA's coding. It is the PI/unit's responsibility (a) to know what costs are needed in the performance of the project and (b) to ensure the integrity of the accounting codes entered for those costs.

The following are examples of allowable direct costs on sponsored projects when they are necessary for the performance of the project, meet the requirements of 2 CFR 200, as well as conform to sponsor-specific requirements:

- Compensation – personal services
- Compensation – fringe benefits
- Equipment and other capital expenditures
- Maintenance and repair
- Materials and supplies
- Professional Services
- Publication and printing – may be incurred after the life of the project/budget period provided cost was incurred before the closeout of the award
- Student Activity
- Travel

The following costs are examples of unallowable charges on sponsored projects either as direct costs or as part of the Indirect/F&A Cost rate:

- Advertising and public relations, other than advertising for help wanted or for the procurement of the goods or services necessary for the performance of the award (i.e. human subjects)
- Alcoholic beverages
- Bad debt expense
- Contributions, donations or gifts
- Entertainment, unless specifically provided for in the award
- Fines, penalties, damages or other settlements
- Goods and services for personal use, such as automobiles
- Interest on borrowed capital, temporary use of endowment funds, or use of UGA funds
- Memberships in social, dining or country clubs or organizations

In addition to the specific costs listed above, costs associated with the following activities are examples of unallowable direct charges to sponsored projects:

- Alumni activities
- Commencement and convocation costs
- Executive and legislative lobbying
- Fundraising and investment management
- Losses on other awards or contracts
- Costs for prosecuting claims against the federal government

DEFINITIONS:

Direct Costs are costs that can be identified with a specific sponsored project, and can be directly assigned to essential activities with relative ease and a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect/F&A costs. Typical costs charged directly to sponsored activities include personnel (salaries and fringe benefits); materials and supplies; scientific equipment; travel; and other expenses necessary to conduct the sponsored activity.

Indirect/F&A Costs (Facilities & Administrative) are costs incurred for a common or joint purpose benefiting more than one activity/project and therefore, cannot be easily and readily

assignable. Indirect/F&A Costs include the costs of operating and maintaining general-purpose equipment and facilities, general administration (human resources, departmental administration, procurement, accounting and sponsored project administration) as well as general expenses (general-purpose supplies, postage, telephones and other office equipment).

Sponsored Projects are externally funded activities that must be separately budgeted and accounted for according to terms of the sponsoring organization, State regulation, and UGA policy. Sponsored Activities are provided through grants, contracts, and agreements with any Federal Agency, State Agency, or non-Governmental Organization that supports research, training, instruction, public service and other activities.

Sponsor-specific Requirements include requirements stated within the sponsor rules/regulations, funding opportunity announcement, award/grant or contract/agreement and amendments.

PROCEDURE:

When preparing a proposal, negotiating and setting up a sponsored project, incurring and approving expenses, and invoicing and reporting, UGA personnel must be aware of and conform to the complex and detailed rules surrounding allowability of direct and Indirect/F&A Costs.

1. PI/unit should prepare proposal budgets after thoroughly reviewing 2 CFR 200, State regulations, and sponsor-specific requirements based upon a best faith estimate of costs needed to perform the scope of work.
2. Prior to initiating a cost, PI/unit should ensure the expense is allowable (pursuant to this policy).
3. Direct costs should be initiated timely and meet all of the criteria outlined within this policy.
4. Any costs that do not meet all of these criteria cannot be anticipated within a proposal budget and/or charged to sponsored projects.
5. If there are any questions regarding conflicting regulations/requirements, please contact Sponsored Projects Administration for clarification on which regulation/requirement applies.

RESOURCES:

2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards



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