

Augusta University

Policy Library

Direct Charging Policy

Policy Manager: Sponsored Programs Administration

POLICY STATEMENT

Principal Investigators (PIs) are ultimately responsible for financial and technical project management for sponsored projects they oversee. Accordingly, Principal Investigator(s) are required to appropriately manage the funds received from sponsors. Each department (via the Department Manager or Chair) must also monitor expenditures on sponsored projects. It is the Principal Investigator's/Department's fiduciary responsibility to ensure the consistent treatment of costs budgeted to and expended on sponsored program accounts.

Sponsored funds can be used to defray most, if not all, of the costs of doing research. It is imperative, however, to abide by guidelines that specify those expenses that should be listed as direct costs on federal awards, those that should be reimbursed through indirect cost recovery, and those that are not eligible for reimbursement. When Augusta University or Augusta University Research Institute accepts sponsored funding, it agrees to adhere to the financial requirements specified in the terms and conditions of a grant or contract. Ensuring that charges are in compliance with the sponsored award's terms and conditions is a critically important aspect of Sponsored Program Administration. The Uniform Guidance section 200.302(b)(7) also requires written procedures for complying with Federal Cost Principles, which is covered in this policy.

AFFECTED STAKEHOLDERS

Indicate all entities and persons within the Enterprise that are affected by this policy:

- Alumni Faculty Graduate Students Health Professional Students
 Staff Undergraduate Students Vendors/Contractors Visitors
 Other:

DEFINITIONS

Principal Investigator (PI): Individual officially responsible for the conduct of a sponsored project or the individual officially responsible for the conduct of any funded project. On research projects, the PI is usually a faculty member; on other types of awards, the PI may have an administrative appointment. The PI is always an investigator.

Investigator: Principal Investigator and any other person, regardless of their position or title, who is responsible for the design conduct, or reporting of a sponsored research award or proposal for such funding.

Independent Contractor: Entity or individual who has entered into a contractual agreement to provide goods or services to the University, and meets the following criteria:

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Executive Sponsor: VP, Sponsored Programs Administration

Next Review: 8/2027

- Is not currently an employee of the University
- Has no expectation of becoming an employee at the end of contractual service
- Did not have an official university appointment within the three months prior to the commencement of the contractual service
- Relied or will rely upon own expertise rather than following specific instructions from the department regarding performance of the required work
- Performed the work to the specifications of, but not under the direction of, a University employee or student
- Did not have the required number of work hours and/or days of the week set by the University.

Direct Costs: Costs that can be identified specifically with a particular sponsored project with a high degree of accuracy, i.e. salary and lab supplies.

Indirect Costs: Costs that are incurred for common or joint objectives and therefore cannot be identify readily and specifically with a particular sponsored project, instructional activity or any other institutional activity, i.e. office supplies and postage.

Expenditures: Reviewed using the standards set forth by: 2 CFR 200 the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, hereinafter referred to as the Uniform Guidance (UG), University policies and procedures, State laws and regulations, and any specific terms pertaining to the particular award. The assessment and determination on the appropriateness of listing an expense as a direct charge on a sponsored project entails consideration of the expenditures as being consistent with UG Cost Principles (allowable, allocable, reasonable, necessary, and consistent with the scope of work and terms of the award) or other sponsor guidelines. The Principal Investigator/department should make every effort to spend within the guidelines and approved budget. It is understood that some non-federal sponsors have less stringent budgeting and expending requirements than Federal awards, however, charges to cost categories must be treated consistently regardless of the source of funding.

Cost Accounting Standards (CAS): Consist of the integration of the following components:

Cost Principles: Developed to ensure that costs charged to a sponsored agreement are allowable, allocable, and reasonable.

Factors Affecting Allowability: The permissibility of charging an expense directly to a sponsored research account depends on whether the expense meets federal grant criteria described in the UG Subpart E.

- Be necessary and reasonable for the performance of the award;
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
- Be consistent with institutional policies and procedures pertaining to expenditure of funds;

- Be accorded consistent treatment as either a direct or indirect cost;
- Be consistent with generally accepted accounting principles (GAAP);
- For Federal awards costs sharing may not be from any other Federal award or program; and
- Be adequately documented.

Factors Affecting Allocable Costs:

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- Is incurred specifically for the Federal award;
- Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Auditors often ask for proof that a particular purchase benefited the project being audited; so it is AU policy that written, defensible allocation methodology must be on file before charges are split-coded among multiple sponsored accounts.

Factors Affecting the Determination of Reasonable Costs: A cost is deemed reasonable when in its nature and amount it does not exceed with what a prudent person would pay for a similar item or service under similar circumstances. Some general tests used to determine reasonableness are whether the cost is:

- Generally recognized as ordinary and necessary for the efficient conduct of the award;
- Consistent with market price for the region; and
- Incurred in accordance with arms-length transaction and sound business practices in alignment with State, Federal, and Institutional purchasing requirements.

Consistency: Costs incurred for the same purpose, in like circumstances, are treated as either direct costs only or indirect (F&A) costs only.

Unlike Purpose and/or Unique Circumstance: Occasionally, a research project requires an unusual or disproportionate amount of a cost that is ordinarily unallowable as a direct cost. Such charges may be allowable if they truly involve an unlike purpose or unique circumstance having a specific purpose different from or in excess of normal usage and the items are clearly associated with the project. One

example of unlike purpose or unique circumstance is charging postage to conduct a mail survey to collect data for the research project.

Unallowable Expenditures: Expenditures deemed as typically unallowable as detailed in the Clearing Unallowable Expenditures Policy.

PROCESS & PROCEDURES

Budgeting and Charging of Direct Costs

The University must consistently classify allowable direct costs following the Uniform Guidance or other sponsor guidelines. The following categories of cost are typically considered to be direct costs of sponsored programs and should be fully justified in the budget request:

Personnel: The salaries and wages of University employees (to include the Medical Center) directly associated with the sponsored program are considered direct costs. These costs should be charged to the project in proportion to the percent of each employee's effort expended on the program during each pay period except for that portion which may be applied to cost sharing.

NOTE: Administrative and Clerical Personnel – the cost of clerical personnel providing administrative support should be included in the budget request/justification, otherwise prior approval from the sponsor will need to be obtained prior to charging these types of personnel to the award.

Fringe Benefits: The employer's cost of fringe benefits is considered a direct cost and is charged to sponsored programs following the proportionate rate of salaries and wages.

Graduate Research Assistants (GRA): Graduate Research Assistant wages directly associated with the sponsored program project are considered direct costs and should be charged to the project in proportion to the effort expended on the program during each pay period, except in the rare case when a graduate assistant's cost is being used for cost sharing.

NOTE: Graduate Research Assistant health insurance costs are budgeted under Other Direct Costs instead of Fringe Benefits reflecting the dual status of these individuals as students and employees.

Equipment (200.439): Property with an expected service life of one year or more and a unit acquisition cost of \$5,000 or more.

Travel (200.474): A direct cost of the grant or contract where such travel will provide direct benefit to the program and is within specific sponsor restrictions. Reimbursement of travel costs are subject to the **Board of Regents for the University System of Georgia** standard policies and procedures.

- Domestic travel is considered to be travel within the United States and Canada.

- Foreign travel is deemed to be travel outside the United States and Canada including travel within the US or Canada when en route to or returning from a foreign destination. Sponsors often request that such travel is detailed in the proposal.

Participant Support Costs (200.456): These budgeted and awarded costs typically are paid to (or on behalf) of participants to support training, conference, and workshop activities and may include travel, registration fees, manuals, supplies, tuition, stipend, and subsistence for participants. Funds budgeted to support participants must be accounted for separately, do not bear overhead, and cannot be re-budgeted without prior agency approval. Unexpended funds in this category must be returned to the sponsor unless prior re-budgeting approval is sought. Participants may not have an AU affiliation as an employee. Participant Support Costs should be budgeted as follows:

- Participant Support – Stipends
- Participant Support – Subsistence
- Participant Support – Travel
- Participant Support – Other

Materials and Supplies, including Computing Devices (200.452): The cost of supplies, materials, and non-capitalized equipment (items under \$5,000 or items costing more than \$5,000 with an expected service life of less than one year) which are directly required for the performance of the grant or contract are considered direct costs. Supplies include drugs, acquisition of animals for use in research, laboratory supplies, chemicals, educational supplies, et cetera.

NOTE: Computers are allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.

Professional Services/Consultant Costs (200.459): Considered to be *advice or assistance of a purely advisory nature* provided for a *predetermined fee* by an outside individual entity. Individuals providing consulting services must always meet the criteria defining an Independent Contractor.

NOTE: Honoraria are not normally an allowable cost of sponsored programs. An honorarium is considered a payment or reward where the primary intent is to confer distinction on or symbolize respect for the recipient.

Other Services: Direct costs in this expenditure category include but are not limited to the following:

- Electrical Repair and Maintenance
- Equipment Repair and Maintenance
- Mechanical Repair and Maintenance
- Plant Repair and Maintenance
- ADP Maintenance Service Contracts (Equipment)
- ADP Maintenance Service Contracts (Software)

- Telecommunications (Long Distance Service)
- Printing (other than Stationery)
- Photocopying, Microfilming, Developing and other Reproduction
- Publication Costs - Sponsored Programs
- Freight and Express Service
- Technical Services
- Animal Care

The services listed above may be provided by internal service providers or external vendors. Charges for services offered by internal services providers should be based on rate schedules issued by each support service activity as approved by the University.

Subawards (200.92 and 200.93): An external or outgoing subaward is a document *issued by the University* that formalizes a collaborative research relationship with a third party to perform substantive sponsored program services under a Sponsored Award made to the University. It does not include payments to an independent contractor. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. All subawards must be made in accordance with University and sponsor regulations. The first \$25,000 charged for each subcontract is subject to F&A calculation and recovery. Fixed price subcontracts require prior approval and cannot exceed \$150,000.

Rental of Off-Site Facilities: Expenditure types in this category include: Rent- Buildings and Facilities, Rent- Land, Rent- Land & Buildings

Alterations and Renovations: *This category of expenditure is normally restricted and requires specific sponsor approval prior to incurring the costs.* Generally, alterations and renovations are direct costs only where they are essential to adapt existing space or utilities to accomplish the objectives of the sponsored program. The space provided must actually be occupied by the project.

Patient Care Costs: Research Patient Care Costs include the costs of routine and ancillary services provided by the AU Medical Center to individuals participating in research programs. The costs of these services normally are assigned to specific research projects through the development and application of research patient care rates or amounts. Standard of care charges – the costs associated with procedures that are not for the research study – are generally not allowable expenditures under sponsored awards and are paid by the patient or the patient’s third-party insurer.

Research patient care costs do not include: (a) the otherwise allowable items of personal expense reimbursement, such as patient travel or subsistence, consulting physician fees, or any other direct payments related to all classes of individuals, including inpatients, outpatients, subjects, volunteers and donors; (b) costs of ancillary tests performed in facilities outside the hospital on a fee-for-service basis (e.g., in an independent, privately owned laboratory) or in an affiliated medical school/university based

on an organizational fee schedule; and (c) the data management or statistical analysis of clinical research results.

Research patient care costs are generally limited to the amount originally provided in the sponsored award budget and sponsor permission is typically required to increase or decrease this budget line item. Research patient care costs are exempt from F&A recovery unless the indirect costs basis for the award is total direct cost

Other Direct Costs: Consist of other costs not included in direct cost categories indicated above.

Special Category: Trainee Awards (Fellowships and Training Grants)

Trainee Stipends

Such costs are allowable as direct costs on fellowships and training grants only. This cost category is restricted and any increase or decrease in the total amount budgeted requires prior sponsor approval. The most frequently encountered stipends are as follows:

- Undergraduate Stipends
- Graduate Stipends
- Postdoctoral Trainee Stipends

Trainee Tuition

In-State and Out-of-State tuition and fees charged to regularly enrolled students should be budgeted and charged as a direct cost of training grants. Charges to this cost category are frequently subject to specific program restrictions and reference should be made to the sponsoring agency policy guidelines to determine allowability of charges. The expenditure types for trainee tuition and fees are as follows:

- Undergraduate Tuition and Fees
- Graduate Tuition and Fees

Trainee Travel

Travel costs within the terms of the sponsor award for full-time trainees who have received formal appointments are considered direct costs of the grant. The travel must be in accordance with University and sponsor regulations.

Budgeting and Charging Items not Typically Direct Costs

To budget and expend costs typically not considered allowable as direct costs, the items should meet the qualifications of an Unlike Purpose and/or Unique Circumstance and have been requested and justified in the proposal's budget detail or budget narrative. If the costs were not included in the proposal, prior approval from the sponsor should be sought as needed, with the assistance of DSPA. Prior approval requests are submitted to sponsors by DSPA-Pre Award.

Special Consideration for Purchases of Supplies and Equipment Made Towards the End of an Award

Special consideration must be given when purchases are made towards the end of an award. Federal regulations require any leftover supplies inventory valued at \$5,000 or more be credited back to the federal sponsor. Equipment purchased in the last 3 – 6 months of an award may be considered unreasonable and unallocable on a multi-year award as a sponsor may deem that it did not benefit the award since it was not available for use on the award for a sufficient amount of time. Careful consideration must be given when allocating such costs to an award(s), either the full cost or a partial cost. Supplies received on the last day of an award may not have benefitted the award if the items were not available to be used on the award before its end date. Note that goods and services must be received prior to the award's end date to be considered an allowable expense on an award. Expenses incurred after an award's end date may not be considered allowable, depending on the sponsor.

REFERENCES & SUPPORTING DOCUMENTS

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RELATED POLICIES

Clearing Unallowable Expenses Policy -

<https://augustauniversity.app.box.com/s/ezh9yx12elpd4sw5i5sjlin4j5zktth1>

Cost Sharing Policy - <https://augustauniversity.app.box.com/s/8siy58tpm8ihobi9m1ffanblevojfndx>

Facilities and Administrative Cost Policy -

<https://augustauniversity.app.box.com/s/whycjohl71tpocce2zmkwal970uqayki>

Institutional Review of Extramural Proposals –

<https://augustauniversity.app.box.com/s/liyp3tt3peb21cdfrgb6x94hkalihlz3>

Effort Reporting Policy -

<https://augustauniversity.app.box.com/s/3j57v6qc6ly4wkuwgv2ww8zegg20tso>

APPROVED BY:

Executive Vice President for Academic Affairs and Provost, Augusta University

Date: 8/17/2022

President, Augusta University

Date: 8/17/2022