

The College of Idaho

Policy Name: Grant-related Direct Costs

Responsible Department: Academic Affairs

Approved By: John Ottenhoff, VPAA

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Related Policies (if any): Procedures for grant-related expenses; Delegation of Authority, Research Integrity, Indirect Cost Recovery, Financial Conflict of Interest (Research), Responsible Conduct of Research (RCR), Effort Reporting, Academic Leave of Absence, Accounts Receivable, Document Retention, Procurement, Principal Investigator eligibility

Summary/Purpose: This document¹ outlines the main principles for charging direct cost items to a grant budget. It sets forth lines of responsibility and authority, describes the main cost categories for grant expenses, summarizes the primary criteria that expenses must meet to be charged to a grant budget, and establishes guidelines for changes to grant budgets.

Basic Conditions This document sets forth the rules, regulations and guidelines for grant expenditures (“direct costs”) at The College of Idaho. It outlines the major concepts and criteria that must be met for a cost to be charged to a grant budget, but it is not a comprehensive treatise on all of the regulations that govern grant costs. Basic federal standards of cost principles, administrative requirements, and audit processes apply to all grant-funded projects at The College of Idaho, and are included by reference along with their updates and amendments.

A grant (or cooperative agreement, or contract) is a legally binding agreement between two parties, generally the College and an outside government agency or foundation. The terms of the grant are usually spelled out in a grant agreement or notice of award (NOA), and with government-issued grants, the language of the NOA invokes a large set of other regulations issued by the Office of Management and Budget (e.g., Uniform Guidance (UG²), formerly 2 CFR 200, OMB circulars A-21, A-110 and A-133). These regulations are frequently amended and updated; grant personnel and faculty whose work is supported by grants must keep abreast of changes in federal regulations or their interpretation as they are published.

The principal investigator (PI) is responsible for ensuring that all grant conditions are met, including terms of the specific agreement or NOA, and any other documents included by reference. Grant officers and Business Office personnel at the College provide resources to help PIs negotiate this complex set of rules, but the primary responsibility for grant fund management rests with the PI.

Three broad sets of rules bear on any particular grant funded project: 1) Institutional policies 2) regulations and standards of the funding agency, government or private, and 3) terms and conditions specified in the grant agreement or notice of award for a particular grant. When such rules are in conflict, grants officers, finance officers, and PIs must make a good faith effort to

¹ Examples in “Procedures for Grant-related Expenses” illustrate this process in action, and they pose questions to help guide consideration of costs and charges to sponsored research grants.

² Uniform Guidance supersedes 2 CFR 200, which in turn replaced OMB circulars A-21, A-110 and A-133.

interpret the rules and document those interpretations as applied to a particular issue and in support of any internal or external audits, ongoing, planned or eventual.

Direct Cost Criteria Direct costs being charged to a sponsored research award must satisfy the following criteria:

1. The costs must be **ALLOWABLE** as defined by UG / 2 CFR 200 and/or by the terms of the particular award (see below) and must be in accordance with College policies.
2. The cost must be **ALLOCABLE**: that is, the project that paid the expense must benefit from it, or if more than one project benefits, the charges must be distributed among the projects by a reasonable method.
3. The expenses must be **REASONABLE**: that is, the cost reflects what a "prudent person" might pay.

Further, 2 CFR 200 requires that institutions of higher education **consistently** implement cost policies. Consistency requires following all relevant College policies as well as the specific terms of the grant or contract.

In addition, College policies and procedures require that the transaction be sufficiently **DOCUMENTED**. Sufficient documentation must enable someone looking at the transaction later to understand and determine that the expense is allowable, allocable and reasonable.

In sum, any costs that are not allowable—that is, not allocable, reasonable, well-documented, consistently charged, or adhering to all College and grant-specific guidelines—may **NOT** be charged to a sponsored research project.

Direct Cost Areas The most common areas of direct costs expenditures in sponsored research at C of I are listed below:

Salaries and wages (effort); benefits; equipment; travel expenses; materials, supplies and services; student fees and conference attendance; stipends and honoraria; food; sub-awards.

Responsibility and Authority for Evaluating Suitability of Proposed Charges The College of Idaho uses a multi-party system to determine whether a particular cost may be charged to a sponsored research project. Only those items in an approved budget or approved budget amendment may be charged.

PIs bear primary responsibility for ensuring that all proposed charges meet the above criteria. Just as the PI should review the proposal RFP before beginning the process of developing a research proposal, the PI should review the terms and conditions in the NOA and award document before commencing work and charging expenses to a sponsored research project.

Charging items to a grant account involves three steps: 1) proposal of charges, usually with written justification; 2) review of proposed expenses and supporting documentation; 3) approval (or denial) of the request, or approval of some, but not all, requested charges to the sponsored research account.

Costs that are charged initially to a particular sponsored project may be removed if later it is discovered that one or more criteria were in fact not met. The College adheres to a 90-day standard for such review, beginning from the date that the suspected error is discovered, not from the date of the original charge. Additional federal guidelines apply to removal of unallowable charges.

The PI or a person designated by the PI (someone with knowledge of the purchase or charges and how the charged items actually were used) is typically responsible for Step 1. The PI or his/her designee is responsible for initiating the request and assuring that the cost is necessary to carry out the scope of work. Steps 2 and 3 involve analysis by the C of I Grants Officer and by the Business Office to ensure that all charges meet the above criteria.

The Business Office must review and approve transactions to ensure that: the expense is included in the approved budget (or in an approved re-budget request); the funds are available in the account; and the transaction is properly documented and the expense deemed to be allowable, allocable, reasonable, and consistent.

The final authority for allowing the charges (or denying them) rests with the College Controller or the Assistant Controller. PIs may request clarification or appeal a denied charge, but the final decision to approve or deny a particular transaction is made by the Business Office, not the PI.

When it is necessary to use funds in a way that differs from the sponsor approved budget, prior approvals are required. Such approval requests should be made before the cost is incurred. Without this approval, the expenditure is an **unallowable** cost.

The subject of unallowable costs is treated by the UG in §200.420 Considerations for selected items of cost. The listing below highlights a few key items that generally or categorically may NOT be charged as direct costs to a federal grant:

- Advertising (few exceptions)
- Alcoholic Beverages
- Alumni/ ae Activities
- Bad Debt
- Commencement and Convocation Costs
- Criminal and Civil Proceedings, Claims or Appeals
- Donations and Contributions
- Entertainment Costs
- Fines, Penalties, Damages, Settlements
- Fundraising and Investment Costs
- Goods or services for personal use
- Housing and personal living expenses
- Lobbying
- Losses on other awards or contracts
- Meals other than budgeted travel costs
- Student Activities, unless specifically provided for in the sponsored agreement
- Travel: airfare costs in excess of the basic least expensive unrestricted commercial airfare are not allowed except under very specific conditions such as documented medical needs of the traveler.

Budget changes Prior approvals for some budget changes are enabled by the FDP prior approvals matrix (https://www.nsf.gov/bfa/dias/policy/fedrtc/priorapproval_oct08.pdf) under the “expanded authorities”, but any budget changes are subject to review, certification and must be documented in writing before the expense occurs.

When grant funds are issued as a subaward, standard College practice is to request permission for budget changes by consulting the College Grants Officer, the College Business Office, and the grants administrator at the primary award institution (pass-through entity).

No-Cost Extensions Many sponsoring agencies allow an extension of the grant performance period (to a later expiration date) if more time is required to assure adequate completion of the original project scope. Although the requirements for a “no-cost extension” (NCE) vary by sponsor, many federal agencies allow the College to authorize a one-time 12-month NCE for specific reasons, which must be provided in writing. Please provide a written technical justification for any extension. Also, the fact that funds will remain at the expiration of the grant is not, in itself, sufficient justification for an extension. In all cases, such extensions must be requested well in advance of the expiration date. All rules outlined above regarding direct cost charges continue to apply during the no-cost extension period.