

Allowable Costs

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Often, there is a lot of confusion surrounding which costs are allowable to charge on sponsored projects. Principal Investigators (PIs) often ask, “If I have costs that are incurred as a result of my research, then why can’t I charge them to my grant?” The reason depends upon what the sponsors’ guidelines have to say about certain costs.

Most costs can be divided into two groups, direct costs and facilities and administrative costs (F&A). Direct costs are those that can be specifically and easily identified with a particular project or activity and are allowable. F&A costs (sometimes called indirect or overhead) are those costs that are incurred for common or joint objectives and cannot be easily and specifically identified with a particular project or activity and are not allowable.

Sponsors’ guidelines usually define what direct costs are allowable or unallowable. Also, sponsors’ guidelines may define what costs are included in the F&A costs, effectively making them unallowable to be charged as direct costs. The summaries below should help you in determining what costs are allowable. If you have additional questions when developing your proposal budget, please call RSSP at 5-3845. If you have questions concerning costs charged to your award, please contact your grants specialist.

Federal Grants

The federal government has established what costs may be charged as direct costs and what costs are considered included in the F&A cost that is charged. The following summary gives a brief description of costs and whether they should be charged as direct or whether they are included in the indirect costs. This list is only a summary; a comprehensive list can be found at the [Office of Management and Budget Circular \(OMB\) A-21](#).

Direct Costs (Allowable)	F&A (Indirect) Costs (Not Allowable)
<p>Salaries/Wages & Fringe Benefits: Faculty, other professionals, technicians, post doc associates, research associates, graduate and undergraduate students.</p> <p>See Exhibit C for some exceptions.</p>	<p>Salaries/Wages & Fringe Benefits: Clerical and administrative assistants, fiscal manager, secretaries, and directors,</p> <p>See Exhibit C for some exceptions.</p>
<p>Materials and Supplies: Project related research and scientific supplies. Any equipment or software that does not qualify under the equipment definition.</p>	<p>Office Supplies: Pens, pencils, paper, staples, transparencies, toner cartridges, diskettes, printer paper, word processing and spreadsheet programs.</p>
<p>Equipment: Equipment used for scientific, technical, and research purposes that costs greater than \$5,000 and has a useful life of at least one year.</p>	<p>Equipment: General office equipment such as copiers, printers, computers, and fax machines.</p>
<p>Facilities: Project specific space rental for off-campus facilities from a third party.</p>	<p>Facilities: Utilities, building use, grounds maintenance, renovations, and alterations of University property whether on- or off-campus.</p>

<p>Travel: Transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution.</p>	<p>Travel: 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)</p>
<p>Telephone: Long distance calls, phone surveys or calls to project participants.</p>	<p>Telephone: Local calls, cell phones, installation and maintenance.</p>
<p>Maintenance & Repairs: Requires justification that the expenditures are required and directly related to the specific award (i.e. less expensive than buying new).</p>	<p>Maintenance & Repairs: Maintenance and repairs to general purpose equipment, buildings, and grounds.</p>
<p>Advertising: Recruitment of research subjects or for job openings approved for a specific project.</p>	<p>Advertising: Public relations to promote unit/department/college</p>
<p>Publications: Project specific and research related. Copying can be included only when charges can be tracked (i.e. printing services or copier code, please specify).</p>	<p>Publications: General printing and copying.</p>
<p>Memberships, subscriptions and professional activity: Membership in business, technical, and professional organizations; must be related to and supportive of the project Subscriptions to business, professional, and technical periodicals; must be related to and supportive of the project</p>	<p>Memberships, subscriptions and professional activity: Membership in any civic or community organization Membership in any country club or social/dining club or organization</p>
<p>Freight/express deliveries and Postage: Justification required that cost was needed to transport project material in a timely manner.</p>	<p>Freight/express deliveries and Postage: Routine or internal courier.</p>
<p>Consulting: Project specific research</p>	<p>Consulting: General, management, financial</p>
<p>Miscellaneous Costs: Subcontract costs, recharge center charges, and training costs</p>	<p>Miscellaneous Costs: Computer network charges and utilities.</p>

Please note that if a project has a reduced indirect cost rate, or even if no indirect costs are allowed, costs typically treated as indirect costs may not be charged as direct costs. Other funding sources will need to be sought to cover the indirect costs.

State Grants

While State agencies may have their own guidelines, they typically follow principles that are similar to those established in the federal guidelines. If State guidelines **do** allow for costs that are normally treated as indirect costs to be charged as direct costs, it is necessary to provide documentation that the grant funds are solely from state money, and not from a federal source.

Other Grants

Other sponsors typically have their own set of guidelines on what costs are allowable. It is important to read these carefully as they may allow some costs that federal grants typically would not. Likewise, they may not allow certain costs that would be allowable on federal grants. Please note that if the sponsor is using federal funds that are received from a federal agency (a.k.a. Federal Flow Through), then the grant is subject to the federal guidelines regardless of the sponsor's policies.

Exhibit C -- Examples of "major project" where direct charging of administrative or clerical staff salaries may be appropriate.

- * Large, complex programs such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
- * Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting (such as epidemiological studies, clinical trials, and retrospective clinical records studies).
- * Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- * Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).
- * Projects that are geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research fields sites that are remote from campus.
- * Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications.

These examples are not exhaustive nor are they intended to imply that direct charging of administrative or clerical salaries would always be appropriate for the situations illustrated in the examples. For instance, the examples would be appropriate when the costs of such activities are incurred in unlike circumstances, i.e., the actual activities charged direct are not the same as the actual activities normally included in the institution's facilities and administrative (F&A) cost pools or, if the same, the indirect activity costs are immaterial in amount. It would be inappropriate to charge the cost of such activities directly to specific sponsored agreements if, in similar circumstances, the costs of performing the same type of activity for other sponsored agreements were included as allocable costs in the institution's F&A cost pools. Application of negotiated predetermined F&A cost rates may also be inappropriate if such activity costs charged directly were not provided for in the allocation base that was used to determine the predetermined F&A cost rates.

Cost Sharing/Matching

Generally, the same rules apply to cost sharing items as those described above. If an item is not allowed by the sponsor as a Direct Cost, then it can't be cost shared either. Any exceptions will be described by the sponsor in their general guidelines or program specific announcements.