ISU COSTING POLICY GUIDE FOR PRINCIPAL INVESTIGATORS

GENERAL INFORMATION

The Office of Management and Budget (OMB) has combined many federal circulars into a single guidance document to be used by all federal agencies. This combined document is known as "Uniform Guidance" or 2 CFR 200, and went into effect December 26, 2014.

For federal and federal flow-through awards, the Uniform Guidance (UG) made changes that affect proposal budgets and the charging of direct costs.

The ISU Sponsored Programs Costing Policy for Awards Subject to Uniform Guidance (2 CFR 200) is available at http://www.controller.iastate.edu/spa/isucostingpolicy.html. This guide was developed for PIs to assist in their understanding of this ISU UG costing policy and to note the changes in federal costing regulations that are likely to affect the ISU research community.

DEFINITIONS

Direct Costs (2 CFR 204.413(a));
Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with 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.

A direct cost is considered allowable when it is necessary, reasonable, allocable, conforms to any limitations or exclusions set forth in applicable regulations or in the award, complies with ISU policies and procedures, is consistently treated by ISU as a direct cost, and is adequately documented.

Certain types of costs (salaries and related benefits of administrative and clerical staff, office supplies, postage, subscriptions and memberships, and telecommunication line charges) are normally treated as F&A (indirect) costs and cannot be directly charged to federally sourced sponsored projects unless the circumstances related to a particular project are clearly different from the normal operations of the Institution.

Distribution of Direct Costs (2 CFR 200.405(d));
If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must 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, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

Proportional Benefit Rule for Cost Allocation:
Direct costs are allocated according to the proportional benefit provided to each project.

Interrelationship Rule for Cost Allocation:
This rule is used when it is not possible to determine the proportional benefit to each project. Direct costs are allocated on any reasonable basis.

UNLIKE CIRCUMSTANCES

Costs normally charged as F&A (indirect) costs may be charged as direct costs when unlike circumstances exist. Unlike circumstances exist only when the specific activities related to the project are clearly different in type or significantly different in scale than normal or typical circumstances. The University relies on the Principal Investigator to exercise judgment in identifying situations where unlike circumstances exist, and to obtain any required prior written approvals.
Listed below are various types of F&A (indirect) costs that may be appropriate to directly charge to federally sourced projects when unlike circumstances exist and the required conditions are met.

A. **Administrative and Clerical Salaries**
   The salaries of administrative and clerical staff should normally be treated as F&A (indirect) costs. The direct charging of administrative and clerical salaries may be appropriate where the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by ISU departments.

   Direct charging of these costs is appropriate only if all of the following conditions are met:
   
   (1) Administrative or clerical services are integral to a project or activity;
   
   (2) Individuals involved can be specifically identified with the project or activity;
   
   (3) Such costs are explicitly included in the proposal budget and justification or have the prior written approval of the Federal awarding agency; and
   
   (4) An administrative effort of at least 15 percent FTE is required to complete the specific and distinctive requirements of a particular grant, cooperative agreement or contract.

   If all of these required conditions are met, the PI should include sufficient justification of the proposed costs in the proposal’s budget justification.

B. **Office Supplies**
   Office supplies are normally treated as F&A (indirect) costs. However, such costs may be directly charged where office supplies are not for general use and can be identified closely with a specific project (e.g., envelopes to mail a large survey, notebooks for research results, or supplies for presentations to disseminate project results). Expenditure documentation must be maintained by the department according to ISU records retention policy that clearly justifies the unlike circumstances for office supply costs.

C. **Postage**
   Postage is normally treated as an F&A (indirect) cost. However, a particular project may have an exceptional need for postage (e.g., the mailing of a large number of survey questionnaires, or the mailing of numerous project deliverables). As these postage costs are directly related to a specific award and are extraordinary compared to routine postage requirements, it may be appropriate to charge the project directly for postage costs. Expenditure documentation must be maintained by the department according to ISU records retention policy that clearly justifies the unlike circumstances for postage costs.

D. **Subscriptions and Memberships**
   Subscriptions and memberships are normally treated as F&A (indirect) costs due to their general nature. However, unlike circumstances may support the direct charging of these costs (e.g., the subscription’s content is specifically and directly related to the sponsored project, the membership is the only means of obtaining a specific journal directly related to a sponsored project, the membership is required to attend a conference where the project’s research results will be shared). Expenditure documentation must be maintained by the department according to ISU records retention policy that clearly justifies the unlike circumstances for subscription and membership costs.

E. **Telecommunications Costs**
   Telecommunications costs for basic services including monthly cell phone charges, monthly internet charges, monthly phone line charges, and installation costs are normally treated as F&A (indirect) costs. However, the direct charging of these costs may be appropriate if a project has unique requirements (e.g., extensive use of telephone surveys, a hotline or crisis line is a project requirement, communications needed with project activities at remote locations). When unlike circumstances exist for telecommunications costs, the PI should clearly justify the proposed costs in the proposal’s budget justification. Expenditure documentation must be maintained by the department according to ISU records retention policy that clearly justifies the unlike circumstances for telecommunications costs.

Costs requiring prior approval must be identified separately and justified in the proposal budget justification, or have received written sponsor approval before the costs are incurred. The allowable costs can be difficult to determine. In order to avoid the subsequent disallowance of costs, ISU can request written approval from the sponsoring agency in advance of the incurrence of unusual or special costs. Unless sponsoring agency approval is obtained, the Principal Investigator and/or department are responsible for any subsequent disallowed costs.
DOCUMENTING UNLIKE CIRCUMSTANCES AFTER AWARD ISSUANCE

When costs that meet the conditions of unlike circumstances were not anticipated and justified in the proposal budget justification, these costs will require sponsoring agency approval before such costs are incurred (i.e., administrative and clerical salaries) or require expenditure documentation supporting the justification of the unlike circumstances (i.e., office supplies, postage, subscriptions and memberships, telecommunications costs). The Office of Sponsored Programs Administration and Sponsored Programs Accounting will assist PIs in determining if prior written approval from the sponsoring agency is required.

The justification prepared by the department must document the same information that would have been provided to the sponsoring agency in the proposal budget and budget justification. It must also explain why the cost was not included in the original budget.

UNIFORM GUIDANCE – DIRECT COSTING CHANGES

Significant changes to previous federal costing regulations are detailed below. Not all changes are noted, only those that are likely to significantly affect the ISU research community.

Administrative and Clerical Salaries - 2 CFR 200.413
In general, administrative and clerical salaries should normally be treated as F&A (indirect) costs. However, direct charging may be appropriated if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the proposal budget and justification or have the prior written approval of the Federal awarding agency; and
- An administrative effort of at least 15 percent FTE is required to complete the specific and distinctive requirements of a particular grant, cooperative agreement, or contract.

If all of these requirements are met, the PI should include sufficient justification of the proposed costs in the budget justification.

Computing Devices (under $5,000 per unit cost) – 2 CFR 200.20 and 2 CFR 200.453
Computing devices may be directly charged to the project or activity under the following circumstances:

- The computing devices are essential and allocable to the project in that they are necessary 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.
- The cost does not exceed the equipment capitalization threshold (currently $5,000). Computing devices with a unit cost under $5,000 are considered a supply item.
- A justification and explanation of how the computing device is essential to the project is provided in the proposal budget or documented prior to acquisition.
- The cost of computing devices are allocated using the proportionate benefit rule and the cost allocation is documented in the proposal budget or prior to acquisition.

Items costing $5,000 or more per unit are considered equipment and must follow the federal regulations for equipment.

F&A (Indirect) on Subawards – 2 CFR 200.331 and 2 CFR 200.414
If a federal program has a published statutory F&A cap, that rate is the maximum rate that can be used on a subaward. For all other federal programs, if a subrecipient has a federally negotiated F&A rate, it must be used. If the subrecipient does not have a federally negotiated F&A rate, a 10% de minimis MTDC F&A rate may be used.

Fixed Price Subawards – 2 CFR 200.332
Unless waived, agency prior approval is required to enter into a fixed price subaward rather than a cost-reimbursable subaward. The total amount funded for each fixed price subaward cannot exceed $150,000.

Participant Support Costs - 2 CFR 200.75 and 2 CFR 200.456
Participant support costs are allowable with prior agency approval. See ISU Guidance on Participant Support Costs at: http://www.espa.iastate.edu/proposal
Publication Costs - 2 CFR 200.461
Publication costs can be charged to the federal project account after the project end date but prior to closeout.

Short-Term Visa Costs – 2 CFR 200.463
Short-term, travel visa costs issued for a specific period and purpose may be direct charged to the project or activity under the following circumstances:
  • The travel is critical and necessary for the conduct of the project
  • The short-term visa costs are considered an allowable cost by the agency
Long-term, immigration visa costs are not allowable as a direct cost.

Travel – 2 CFR 200.474
If travel costs are charged, supporting documentation must justify that the participation of each traveler is necessary to the federally funded project. Travel costs must be reasonable and comply with ISU’s travel policies. See ISU travel policies and procedures at: http://www.controller.iastate.edu/travelinformation/homepage.htm

AWARD REQUIREMENTS

Federal grants and cooperative agreements and subawards issued from these agreements are subject to the requirements below in the following order of precedence:
1. Award-specific requirements in the award documents or proposal guidelines
2. Program-specific requirements
3. Agency-specific regulations
4. Federal regulations
All of the above items need to be considered when determining the allowability of costs charged to a federally sourced award.

CONTACT INFORMATION

If questions, please contact the Office of Sponsored Programs Administration at 294-5225 or Sponsored Programs Accounting at 294-4569.