

Section:	II.3.58	
Title:	Direct Charging Operating Policy	
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Approved By:	Provost and Treasurer	
Responsible Unit:	Office of Academic Grants and Sponsored Research - 609-771-3255 Finance & Business Services – Post-Award Grants, Office of the Treasurer – (609) 771-2186	
Related Documents	<ul style="list-style-type: none"> • Allowable Costs Operating Policy • Procurement Operating Policy 	
History		
<u>Version</u>	<u>Date</u>	<u>Notes</u>
3.0	August 1, 2021	Revised
2.0	September 27, 2019	Updated-Related policy added
1.0	May 13, 2015	New policy; initial release

I. INTRODUCTION

This operating policy defines how costs at TCNJ should be charged to sponsored projects.

II. DEFINITIONS

Sponsored Project: Any grant, contract, or other agreement between TCNJ and the federal government, state government, or other grantor agency.

Cost Principles: Principles for determining direct and indirect costs applicable to grants, contracts, and other agreements with educational institutions. Cost principles define the financial framework for administering federally sponsored research, as well as describes the basis for calculating facilities and administrative cost rates.

- **Allowable** – Costs must be permissible under the terms and conditions of the award, including the authorized budget and applicable regulations.
- **Allocable** – Costs must provide a sole benefit to the sponsored project or provide proportionately assignable benefits to the sponsored project.
- **Reasonable** – Both the nature of the goods or services acquired, and the amount paid must reflect the action that a prudent person would have taken at the time the decision to incur the cost was made.

- Consistency – Application of costs must be given consistent treatment within established University policies and procedures; costs for the same purpose must be treated and classified the same way under like circumstances.

Direct Costs: Those costs that can be identified specifically with a particular sponsored project or that can be attributed specifically to an activity relatively easily and with a high degree of accuracy.

Indirect Costs: Those costs that have been incurred for common or joint objectives across multiple projects or areas and cannot be readily identified with a particular final cost objective of a particular award or other work.

III. POLICY OVERVIEW

It is the policy of The College of New Jersey (TCNJ or the College) to charge direct and indirect costs to sponsored projects in a manner consistent with Office of Management & Budget's (OMB's) Code of Federal Regulations *Part 200 — Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"), State of New Jersey regulations, sponsor policies, and award terms and conditions. This Operating Policy ensures that TCNJ's practices for the charging of costs to sponsored projects are compliant with federal cost principles.

Reason for Policy

As a recipient of federal and state funding, TCNJ is subject to numerous financial accounting and reporting obligations, including but not limited to those set forth in the Uniform Guidance. Failure to adhere to the provisions of this Operating Policy may result in the College's sponsors, or other government agencies, disallowing costs, or imposing other sanctions.

This Operating Policy defines how costs at TCNJ should be charged to sponsored projects.

Direct & Indirect Costs:

Direct costs are those costs that can be identified specifically with a particular sponsored project or that can be attributed specifically to an activity relatively easily and with a high degree of accuracy.

Common types of direct costs on sponsored projects may include, but are not limited to:

- Compensation (e.g., salaries, wages, fringe benefits)
- Materials & supplies
- Purchased services

- Telephone
- Postage
- Research Equipment
- Subcontracts

The Uniform Guidance (2 CFR 200) states that the purchase of general purpose equipment (e.g., office equipment and furnishings, modular offices, air conditioning equipment, reproduction and printing equipment, and motor vehicles) is unallowable as a direct charge to grant budgets *except* with the prior written approval of the awarding agency. Specific advance approval of telephone toll charges as a direct cost generally is not required by the sponsoring agency.

Indirect costs are those costs that have been incurred for common or joint objectives across multiple projects or areas and cannot be readily identified with a particular final cost objective of a particular award or other work. After direct costs have been determined and assigned to awards or other work as appropriate, indirect costs are those costs remaining to be allocated to the benefiting cost objectives. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

Common types of indirect costs on sponsored projects may include, but are not limited to:

- Compensation (e.g., salaries, wages and fringe benefits) for administrative/clerical staff
- Subscriptions/periodicals
- General office supplies, furniture and equipment (e.g., desks, chairs, printers)
- Copier costs
- Communications (e.g., telephones, internet)
- Repair and maintenance of general-purpose equipment (e.g., equipment, buildings, grounds)
- Depreciation
- Insurance
- Utilities

Cost Principles:

The Uniform Guidance establishes principles for determining direct and indirect costs applicable to grants, contracts, and other agreements with educational institutions. This helps to define the financial framework for administering federally sponsored research, as well as describes the basis for calculating facilities and administrative cost rates. (See also Allowable Costs Operating Policy.)

Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable on all sponsored projects (Uniform Guidance §200.403 factors affecting allowability of costs):

- Be necessary and reasonable for the performance of the sponsored award and be allocable there to under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the sponsored award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- Be accorded consistent treatment. A cost may not be assigned to a sponsored award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the sponsored award as an indirect cost. (See also *Direct Charging Operating Policy*.)
- Be determined in accordance with generally accepted accounting principles (GAAP).
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. (See also Uniform Guidance §200.306 Cost sharing or matching paragraph (b).)
- Be adequately documented.
- Be incurred during the approved project / budget period unless otherwise authorized by the sponsoring agency (e.g., via sponsoring agency prior written approval to carry forward unobligated balance or prior approvals are waived).

Charging Practices:

Direct costs are posted to the Project ID associated with the sponsored award benefiting from the charge (i.e., research supplies) when the cost is incurred. Charges are posted using the appropriate corresponding Account Code given the nature and type of expense incurred.

A budget for each unique, separately tracked award received by TCNJ is established under a unique Project ID to capture costs incurred for sponsored projects, including the associated amount of indirect costs. The budget reflects the final sponsored awarded amount and serves as a guideline for direct and indirect charging through the life of the award.

Unlike Circumstances:

Costs normally treated and charged as indirect costs may be charged directly to sponsored projects when special or “unlike circumstances” prevail. “Unlike circumstances” generally exist when a sponsored project or activity, due to its size and nature, requires the use of typically indirect goods or services (administrative or clerical services, general office equipment) that are well beyond the core of support routinely provided for institutional activities.

In such cases, charges for typically indirect goods or services may be posted directly to a sponsored award in proportion to the relative benefit received. Principal Investigators should consult with the Finance & Business Service – Post Award prior to attempting to charge to a sponsored award costs for any typically indirect goods or services.

Allocation Methodologies:

For all direct charged expenditures, the percentage of the cost charged to a specific project must be proportionate to the relative benefit received by the project and determined on a reasonable basis.

Below are examples of acceptable allocation methodologies. Other reasonable methodologies can be developed and implemented, provided that they are consistent with the Uniform Guidance. Principal Investigators seeking to develop and implement such other allocation methodologies must consult with the Office of Grants and Sponsored Research.

- **Allocation based upon usage:** The cost is allocated based upon the quantity or level of usage (percentage on a per use basis) on each project.
- **Allocation based upon time:** The cost is allocated based upon the number of hours logged (or as an estimated percentage) for each project.
- **Allocation based upon effort/FTEs:** The cost is proportionately allocated based upon the PI's percentage of effort charged to each project or the number of FTEs working on each project.

Prohibited allocation methodologies include, but are not limited to, any methodology based on the following:

- **Rotation of budgets:** Allocating common costs shared by multiple projects to a different project's budget each year rather than allocating the cost to all benefiting projects each year using one of the acceptable methods above.
- **Availability of funds:** Charging a cost to a particular budget based solely on the availability of funds in that budget to cover the costs.

Principal Investigators must identify the allocation methodology to be used, including the types of costs to be allocated, at the time when the cost is to be incurred on the sponsored award. All allocation methodologies must be documented and able to withstand audit. Documentation should indicate how the allocation methodology is logically related to the cost being allocated, and how the method (i.e., usage, time, effort, FTEs) relates to the benefit received. This documentation should be retained by the PI and/or department and be available for review upon request.

Considerations for Specific Items of Cost:

- **Administrative & Clerical Salaries:** The Uniform Guidance permits allocable administrative and clerical support to be charged directly to a sponsored project as long as allocability and consistent treatment holds true. Administrative and clerical salaries should be charged to sponsored awards only when “unlike circumstances” apply. In cases of federally sponsored awards, prior approval must be obtained by the federal award agency (either by including the charge in the proposed budget, specifically requesting approval from the sponsor or if the prior approval requirement is waived by the sponsor). Prior to charging administrative or clerical salaries to federally sponsored awards, principal investigators should coordinate with OGSR to ensure the proper approvals are obtained.
- **Computing Devices:** The Uniform Guidance allows for the charging of computing devices (e.g., laptops, tablets, cellphones), with a unit cost of \$5,000 or less, that are essential and allocable to federal awards without sponsor prior approval. As with all sponsored charges, all cost principles must apply, and the standard practices must be followed for determining and documenting allocability of computing devices.

Note: Utilizing a computing device solely on one award (allocability) does not necessarily make the charge allocable on federal awards. The need for the device for the operation of the project (reasonableness) must be also established.

Procedure

I. PROCEDURE OVERVIEW

- Principal Investigator (or other support personnel) identifies the need for and purchase goods and services to conduct work on TCNJ sponsored projects.
- Principal Investigator determines the charge is either a direct or indirect cost based on how it benefits the project; and, if a direct charge, the PI confirms the cost is in compliance with the Cost Principles.
- Principal Investigator (or other support personnel) identifies and documents the appropriate allocation methodology, Project ID, and Account Code to which to charge a particular cost.
- Principal Investigator (or other support personnel) completes the requisition/grant personnel hiring paperwork, including charging instructions.
- As necessary, Principal Investigator consults with the Office of the Treasurer regarding any requests for direct charging typically indirect expenditures under “unlike circumstances.”
- The Office of Grants and Sponsored Research reviews any necessary paperwork (e.g., Independent Contractor Form) and assists the PI in determining the appropriateness of the proposed allocation methodology and assists the PI in determining if prior sponsor approval is required.
- Principal Investigator, Project Administrative Support Staff and Office of the Treasurer reviews sponsored charges on a regular basis to confirm all charges conform to the cost principles.

II. ROLES & RESPONSIBILITIES

Principal Investigator - Responsible for:

- Understanding federal and sponsor regulations applicable to his/her award portfolio (at a high level), as well as TCNJ policy and procedure.
- Ensuring that direct and indirect costs are appropriately identified, budgeted, and consistently charged to sponsored projects.
- Determining and documenting allocation methodologies consistent with benefits received to each sponsored project.
- Assigning the appropriate Project ID and Account Codes to charges on

sponsored projects.

Project Administrative Support Staff - Responsible for:

- Serving as a resource for the PI in determining how costs should be budgeted and assigned to sponsored projects.
- Supporting the PI in documenting “unlike circumstances” and allocation methodologies and making purchases on sponsored projects.
- Monitor sponsored research projects on at least a quarterly basis to ensure that all direct costs charged are in compliance with the Cost Principles and are within budget.

Office of Grants and Sponsored Research - Responsible for:

- Reviewing sponsored project budgets and seeking prior approval from Federal award agency, as needed
- Assisting the PI in requesting prior approval for specific items of cost when required.

Finance & Business Services (FBS) – Post-Award Grants, Office of the Treasurer
- Responsible for:

- Establishing the unique Project ID and corresponding Account Codes for use by the PI in charging direct costs to sponsored projects.
- Reviewing sponsored project charges to ensure they are appropriately reflected as direct and indirect charges on monthly basis.
- Reviewing and approving purchase/grant employee hiring requests, including charging instructions, in accordance with sponsor requirements.
- Serving as a resource for the PI regarding how incurred costs should be charged to sponsored projects.
- Documenting transactions in compliance with this policy, and retaining documentation, justification, and back-up for transactions.
- Collecting post-audit examples, where they exist, of documentation for “unlike circumstances” for direct charging typically indirect expenditures.