



Harvard Faculty of Medicine

Sponsored Project Expenditure Policy

Effective July 1, 2000
Issued March 26, 2001

Harvard Faculty of Medicine

Sponsored Project Expenditure Policy

Index	Page Number
Purpose of this policy statement	2
Who should use this policy	3
If you have any questions...	4
Applicable federal regulations & criteria	
(1) General cost allowability criteria	5
(2) Unlike purpose and circumstances criteria	6
Applicable Harvard University policies	7
Treatment of specific types of costs:	
(1) Administrative salaries	8
(2) Allocation of general supplies	11
(3) Books, subscriptions	13
(4) Copier charges, copy cards	15
(5) Dues and memberships	16
(6) Local travel costs (meals, parking)	17
(7) Telecommunications, cellular phones, internet access	20
(8) Postage, Express Delivery	22
(9) Other Expenses	23
(10) Special considerations for federal training grants	24
Appendices:	
A. Excerpts from Federal OMB Circular A-21	25
B. Excerpts from Federal OMB Circular A-110	28
C. NIH Grants Policy	34
D. PHS Grants Policy	34
E. Federal Sentencing Guidelines	34

Harvard Faculty of Medicine

Sponsored Project Expenditure Policy

Purpose

This policy statement provides guidance on appropriate expenditure of sponsored funds whether from federal or non-federal sources and whether the award is directed toward research, training or other purposes.

This policy provides specific guidance for expenditures of sponsored accounts awarded to faculty in the Harvard Faculty of Medicine including:

- Harvard Medical School (HMS) including grants at Affiliate Institutions that are administered through HMS
- Harvard School of Dental Medicine (HSDM)
- Harvard Medical International (HMI)
- Armenise-Harvard Foundation for Biomedical Research

This policy is based on interpretation of federal regulations. Non-federal sponsors may permit different treatment of costs. Allowability of expenditures on non-federal sponsored projects is determined by the sponsor's terms and conditions. If there are remaining questions, this policy based on federal statutes will apply.

Harvard Faculty of Medicine

Sponsored Project Expenditure Policy

Who Should Use This Policy

This policy is intended to guide faculty/principal investigators and grants administrators in assessing the appropriateness of charging certain costs to sponsored awards. In many cases, a cost may be appropriate to be paid from Harvard funds but not be appropriate to charge against a sponsored research account. This policy will provide specific guidance to make that decision.

The policy will also be used by University offices in reviewing the basis for a proposal's budget and in the post-audit review of the appropriateness of charges paid from the sponsored project. The HMS Sponsored Programs Administration (SPA) Office will perform the budget review and the Harvard University Office for Sponsored Research (OSR) will review expenditures.

Finally, this policy will be used by Harvard University's external auditors in conducting the federally-required A-133 audit, by the federal Department of Health and Human Services Division of Cost Allocation in assessing the Faculty of Medicine's filing of its DS-2 Accounting Policy Disclosure Statement and by the federal auditors from the Office of the Inspector General and other federal agencies in assessing the Harvard Faculty of Medicine's fiduciary stewardship of federal funds.

Harvard Faculty of Medicine

Sponsored Project Expenditure Policy

If You Have Any Questions

If you have any questions about interpreting this policy, please contact:

Grants Accountant – HU OSR Medical Area Team Leader, Michael Laskofski at 617-384-7422 or, HU OSR Associate Director of Financial Services, Beverly Simmonds at 617-495-1253.

If there are circumstances where there are disagreements between or among the HMS grants administrator, the Principal Investigator and/or HU OSR Financial Services about the allowability or allocability of a cost to a sponsored project, the following appeal processes will be followed:

Disagreements Between Grants Administrator and PI:

- First, seek guidance from the HMS Departmental Administrator.
- Second, if needed, seek guidance from Associate Director of Financial Services Post-Award Operations, HU OSR.
- Third, if needed, seek guidance jointly from the HMS Associate Dean for Research Compliance and the HU Director for Sponsored Research (OSR).
- Final decision, if needed, will be made by the HMS Committee on Research Compliance.

Disagreements between HMS grant or departmental administrators and HU OSR Financial Services will begin an appeal process at the third step above.

Harvard Faculty of Medicine

Sponsored Project Expenditure Policy

Applicable Federal Regulations & Criteria

The spending of any funds awarded by the federal government to Harvard is governed by Federal Circular A-21, Cost Principles for Educational Institutions, published by the Office of Management and Budget (OMB). This Circular includes four Standards promulgated by the Cost Accounting Standards Board that apply to colleges and universities. Harvard is also subject to OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Higher Education Institutions, for certain administrative requirements and documentation standards. Finally, anyone spending federal funds should be aware of key requirements of the Federal Sentencing Guidelines.

See the Appendices to this policy for relevant excerpts from these policy statements.

The guiding principles from these federal regulations, especially A-21, are summarized here as background for the policies that follow.

(1) General Cost Allowability Criteria

The principles of OMB Circular A-21 govern costs that may be charged to or paid, even in part, by federal funds. A-21 principles apply both to costs that will be paid directly from sponsored awards or indirectly via the institution's Facilities & Administrative Reimbursement Rate. A-21 requires that all costs being charged to the federal government pass the following three tests:

1. The cost must be **allowable** under both the provisions of A-21 AND under the terms of a specific award.
2. The cost must be **allocable**, that is, the expense can be associated to a project with a high degree of accuracy. See below, page 10, for a discussion of appropriate methodologies to match the benefit of an expenditure with the sponsored project.
3. The cost must be **reasonable**, that is the cost reflects what a "prudent person" would pay in a like circumstance.

Applicable Federal Regulations & Criteria, cont.

(2) Unlike Purpose and Circumstances Criteria

Further, A-21 identifies specific costs that may not be charged directly to research or training sponsored awards, except under special conditions. Unless the special conditions apply, these costs must be paid from University funds. These costs include many of the types of costs addressed in this policy such as administrative salaries, postage and express mail, local telephone, copier costs, general office supplies, etc. There are three criteria under which costs generally considered to be indirect may be allowable as direct costs. All three criteria must be met.

1. **Unlike circumstances** exist, that is, this particular sponsored award is different from typical sponsored awards at the Harvard Faculty of Medicine.
2. This cost can be **associated with the specific sponsored project** with a high degree of accuracy.
3. The **awarding agency has approved** charging the cost as a direct cost in this awarded budget. (In the event an expense meets the first two criteria but not the third because it was not foreseeable at time of budget submission (eg., a book not then yet published) seek guidance as indicated above). Note: This criterion will not apply when a modular budget does not require a detailed line item budget – although criteria one and two will apply.
4. Note that if the unlike circumstances are not substantiated in practice, then the usual A-21 rules apply and the costs must be treated as indirect and paid from PI discretionary, departmental funds or the department budget.

NOTE: At HMS, we have defined all non-federal sponsors as “different purpose and circumstances”. HMS has a relatively low volume of non-federally sponsored projects in comparison with federally sponsored projects, and the sponsors allow a variety of direct costs and often either require indirect costs to be charged directly to their awards or provide only limited Facilities & Administrative Reimbursement.

Harvard Faculty of Medicine

Sponsored Project Expenditure Policy

Applicable Harvard University Policies

Certain Harvard University policies apply broadly to paying any cost at Harvard. This Sponsored Expenditure Policy assumes that all criteria and conditions mandated by the following Harvard policies have been met so that this policy addresses the finer point of the appropriateness of charging sponsored awards.

Pertinent Harvard policies include the following:

- Authorized Signer Policy – Available on the VPF web site at <http://vpf-web.harvard.edu/documents/>
- ACCT Expenditure Policy – Available on the VPF web site at <http://vpf-web.harvard.edu/documents/>
- Travel Policy – Available on the VPF web site at <http://vpf-web.harvard.edu/documents/>
- HU/HMS Object Code Policy – Available on the OSR web site at <http://vpf-web.harvard.edu/OSR/RA/>
- List of Recommended Object Codes for Sponsored Accounts – Available on the OSR web site at <http://vpf-web.harvard.edu/OSR/RA/>
- Recharge Center Policy – Available on the VPF web site at <http://vpf-web.harvard.edu/IndCost/>
- Harvard Medical School Disclosure Statement – Available on the HMS, Sponsored Programs Administration web site at <http://www.hms.harvard.edu/spa/policy/policy.htm>

Harvard Faculty of Medicine

Sponsored Project Expenditure Policy

Treatment of Specific Types of Costs

This section provides guidance for some of the more common types of costs associated with research operations. The section is not at all comprehensive. Please apply the principles set forth below to assess the appropriate funding source for costs that are not specifically addressed. For example, if spring water should be treated as indirect cost, so should the lab coffee station, etc. Feel free to call upon the Longwood team in OSR for guidance. We will also add to and refine this section as new questions arise.

(1) Administrative Salaries

This section provides supplemental interpretation of federal regulations contained in Circular A-21 concerning charging administrative and clerical personnel costs to federal research and training grants. This interpretation will be used to assess the appropriateness of charges on research and training grants administered by Harvard Faculty of Medicine (hereafter “HMS”).

HMS’ interpretation of three key aspects of the federal regulations is described below. The pertinent excerpts from the federal regulations in Circular A-21 are provided as an Appendix.

A. Qualifying Grants

As is indicated in Circular A-21, F 6 (b), Exhibit C, a key determinant of allowability and allocability of administrative salaries to grants lies in the administrative requirements of the project. The administrative duties of the specific project must be much more extensive and/or different from those of a normal research project. Qualifying projects must be large, complex programs, programs that involve extensive data collection and analysis, projects requiring making extensive travel arrangements, etc.

At HMS, our interpretation is that normally it will **not** be appropriate to charge any administrative salaries to “typical” research grants. In the category of grants that we would expect **not** to have administrative salaries are the following types of NIH funding:

R01
MERIT
OIG

Treatment of Specific Types of Cost, cont.

While any of these 3 types of funding may be large in terms of absolute dollars, these types of awards do not usually include the kinds of specific activities cited in Circular A-21, Exhibit C. Similarly, an investigator may hold several R01 awards but, even when combined, these awards would not warrant extraordinary administrative activities and therefore would not support any direct administrative charge.

The types of NIH grants that typically may include activities similar to the activities cited in Exhibit C and therefore grants where it is possible that administrative salaries will be allowable, if those activities are required, include:

- P01 / Program Projects
- R01's with multiple subcontracts and project sites (whether internal or external to Harvard)
- Cooperative Agreements or Contracts with multiple subcontractors and project sites (whether internal or external to Harvard)
- Training grants – T series
- Multiple slot F series fellowships

B. Qualifying Positions

When a sponsored project is sufficiently large or complex or requires extensive administrative or clerical support, we must nevertheless take care in distinguishing the nature of services provided from general administrative support. The nature of specialized administrative or clerical positions that might appear on a sponsored project include:

- Grant Coordinator
- Research Coordinator
- Research Assistant
- Lab Administrator

Job titles that we would normally **not** expect to be supported on a federal project include:

- Secretary
- Grants manager
- Grants administrator
- Grant accountant

Treatment of Specific Types of Cost, cont.

C. Appropriate Amount of Effort

Normally, if a project's size, complexity or requirements are sufficient to permit direct charging of administrative or clerical salaries, that project will also require a significant amount of that effort. If the sponsor has specific guidelines on effort for a project, then those guidelines must be followed. Otherwise, normally, at least 25% of an individual's effort should be charged to a single project. The minimum acceptable level of effort for a multiple-slot training grant is 5%.

Treatment of Specific Types of Cost, cont.

(2) Allocation of Costs (Especially General Laboratory Supplies)

Whenever possible, expenses should be individually charged to a specific sponsored agreement. When this is not appropriate, allocation of expenses is allowable. A-21 defines allocation as the process of assigning a cost to one or more cost objectives in reasonable and realistic proportion to the benefit provided or other equitable relationship that exists. A cost is allocable to a sponsored agreement if:

- (1) it is incurred solely to advance the work under the sponsored agreement;
- (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or
- (3) it is necessary to the overall operation of the institution and, in light of the principles provided in the Circular, is deemed to be assignable in part to sponsored projects.

Criterion (1) above indicates the best approach to justify a cost on a specific sponsored agreement. Certain types of costs incurred for the benefit of a specific research agreement may easily be uniquely identified. Examples include approved pieces of equipment, animal costs or chemicals purchased solely for one project.

Other costs may clearly be allowable and reasonable but the question arises of how best to allocate among one or more sponsored agreements that benefit from that cost. The most typical example of a cost that must be allocated among sponsored projects is general laboratory supplies. A-21 acknowledges that it is sometimes impossible to precisely identify or allocate such costs and governing regulations allow for the exercise of judgement: "A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a high degree of tolerance is appropriate." A-21, J8b(1)c. At the Harvard Faculty of Medicine, an acceptable cost allocation methodology must meet the following criteria:

1. The cost allocation methodology must provide a **reasonable linkage** between the cost incurred and the benefit to individual sponsored agreements.
2. The cost allocation methodology must be **identified in advance** of the allocation of costs and **documented** in a way that a person unfamiliar with research management would understand. For example, a cost allocation methodology should be determined in advance and applied for an entire fiscal year or project period.

Treatment of Specific Types of Cost, cont.

3. The cost allocation methodology must be **applied uniformly to the entire population** of sponsored agreements among which similar costs are incurred. The population may consist of the portfolio of sponsored agreements of an individual investigator if the costs, e.g. supply costs, can be segregated from the purchases of all other investigators. Or the appropriate population may be the entire portfolio of research agreements of a department or the entire Medical School. For example: If the population is Dr. X's 3 research grants and the cost allocation methodology is total awarded amount, then the costs for pipettes purchased for the lab must be allocated based on the relative size of the three grant budgets.
4. It is not acceptable to use "remaining unspent funds" or "that it is this grant's turn" as an allocation methodology.
5. Using relative square footage occupied by individual research grants is **not** likely to be a reliable measure for allocating direct laboratory charges due to use of shared equipment and infrastructure.
6. The fact that an awarding agency approved an item in the awarded budget is not adequate justification for charging an expense to that agreement unless all the other criteria noted above are met.

Some acceptable cost allocation methodologies include the following:

- Allocation based on total non-salary grant budget awarded
- Allocation based on headcount in the laboratory
- Allocation based on the number of experiments performed
- Allocation based on the amount of another lab cost that highly correlates to the need for the cost being allocated e.g. animal costs.

Treatment of Specific Types of Cost, cont.

(3) Books, Subscriptions

A. Books/Software Documentation

The NIH Grants Policy 11-40 states: “If an organization has a library, then books and journals should generally be provided as part of normal library services and treated as F&A costs rather than being directly charged.”

HMS’ interpretation of this NIH policy is that books may normally **not** be charged directly to sponsored research projects (see below, page 24, for special circumstances for federal training grants) unless the purchase meets all three tests of unlike circumstances identified above, namely:

- **Unlike circumstances** exist, that is, this sponsored award is different from typical sponsored awards at the Harvard Faculty of Medicine, and
- the book cost can be **associated with the sponsored project** with a high degree of accuracy, and
- the **awarding agency has approved** charging the book cost as a direct cost in the awarded budget.

In addition, the Principal Investigator must provide a written justification supporting the direct charge to the research project.

Examples of allowable book or reprint or copy of article charges:

- Purchase of software, equipment or similar manual to improve efficiency and/or results of PI or lab personnel use of software or equipment used in the specific research project.
- Book associated with a specific research technique or aspect of the research project that will introduce efficiencies to the research, improve quality of results, to get better results from a specific piece of research equipment or from a research experiment.
- Books not available from the library or from other sources or specific books needed so often that a library copy is not sufficient.

Examples of unallowable book charges:

- General or reference texts, including medical dictionaries
- General software e.g. a widely used statistical package and associated manuals that will benefit multiple activities
- Books, manuals, reprints that generally assist the PI in keeping up with his/her field of research

Treatment of Specific Types of Cost, cont.

B. Subscriptions

Subscriptions will normally **not** be allowed as a direct charge to a federal research grant because their content is more general in nature and cannot be identified with a high degree of specificity to an individual research project.

Under unique circumstances, a PI may be able to provide a written justification supporting how the subscription meets the three tests of unlike circumstances described for the allowability of book charges above.

Treatment of Specific Types of Cost, cont.

(4) Copier Charges, Copy Cards

Copier charges and copier card costs will normally **not** be allowed as direct charges to federal research or training projects because of the difficulty in identifying the material copied and associating it specifically with an individual sponsored project.

Only copier usage that meets all three criteria for unlike circumstances may be charged directly to a sponsored project. Examples of allowable treatment of copier costs in meeting these criteria are as follows:

- **Unlike circumstances** exist, that is, this sponsored award is different from typical sponsored awards at the Harvard Faculty of Medicine. Examples of awards with atypical need for copier costs include survey projects, and
- cost can be **associated with the sponsored project** with a high degree of accuracy. Ideally, the method to identify the copying cost with a specific sponsored project is to have that project's survey or other material copied separately at a copy center where the cost can be differentiated from general copying costs. Alternatively, the use of specific codes on a department copier is an acceptable methodology to identify unusual copying that meets all three criteria. General copying by the lab may not be charged directly to a federal award, and
- the **awarding agency has approved** charging the cost as a direct cost in the awarded budget. Copying costs must be separately identified in the approved project budget.
- Note, even when the cost to reprint or copy an article on a specific research technique will provide substantial help in furthering the experiments on a specific grant, it will be difficult to justify a copy charge on a grant unless all three criteria above are met.

Treatment of Specific Types of Cost, cont.

(5) Dues and Memberships

Dues and memberships in professional organizations will normally **not** be allowed as a direct charge to a federal research grant because their purpose is more general in nature in furthering a PI's knowledge in his/her field and cannot be identified with a high degree of specificity to an individual research project.

Under unique circumstances, a PI may be able to provide a written justification supporting how a dues or membership cost meets the three tests of unlike circumstances.

Treatment of Specific Types of Cost, cont.

(6) Local Travel Costs (Meals, Parking)

Please refer to the Harvard University Travel Policy at <http://vpf-web.harvard.edu/documents/>. Domestic and foreign travel charged to a sponsored project should follow the guidelines set forth in the Harvard travel policy unless the funding agency imposes greater restrictions. In particular, note federal requirements to Fly America i.e. on an American carrier showing the American carrier's flight number. Also note in the HU travel policy the list of non-reimbursable expenses and expenses that may not be directly or indirectly charged to federal projects.

The purpose of this section is to provide more specific guidance for use by the Harvard Faculty of Medicine about the allowability of charging sponsored projects for the following types of expenditures:

- Local meals and meals with no associated travel
- Parking expenses
- Spring water

Note that Harvard Travel Policy may permit spending Harvard funds for these types of expenses but they may not be allowable on sponsored projects. In these cases, the cost should be charged to a faculty or departmental discretionary account.

For HMS, "local environs" is defined as the Longwood Medical Area campus, the affiliated hospitals and the Harvard Cambridge and Allston campuses, and related areas normally within a 50 miles radius of the HMS Quadrangle.

A. Local Meals, Meals With No Associated Travel

The cost of purchased meals or food within the local environs will normally **not** be allowed as a direct charge to a federal research grant because the Harvard employee or trainee is not "traveling" and the cost is normally considered a personal expense. See below for special circumstances for federal training grants.

When a food or beverage cost meets the following three criteria, and the PI provides written justification of the business purpose of the expenditures and how they relate to the specific research project including purpose of the meeting, list of attendees, beginning and end times, a meal cost may be charged to a sponsored project:

- The cost must be **allowable** under both the provisions of A-21 AND under the terms of a specific award. The food and beverages must not be directly related to a social event.

Treatment of Specific Types of Cost, cont.

- The cost must be **allocable**, that is, the project which pays the expense must benefit from it. More specifically, the food and beverage must be integral to a project-related event.
- The cost must be **reasonable**, that is the cost reflects what a “prudent person” would pay in a similar circumstance.

Examples of allowable food charges:

- Lunch and refreshments provided for periodic all-day meeting of collaborators on a program project (with formal agenda and participants from different locations).
- A post-doc being recruited to fill an open position on a research grant travels to Boston. Her meal may be charged to the grant since she is on travel status, but the PI’s may not.

Examples of unallowable food charges:

- Lab personnel meet weekly to discuss progress on the grant.
- PI has lunch/dinner with a colleague and discusses research.

B. Parking Expenses

Similarly, parking expenses incurred in the local environs will normally **not** be allowed as a direct charge to a federal research grant because the Harvard employee or trainee is not traveling and there are many low-cost or no-cost alternatives. Again, when a charge meets the following three criteria, and the PI provides written justification, a parking cost may be charged to a sponsored project.

- The cost must be **allowable** under both the provisions of A-21 AND under the terms of a specific award.
- The cost must be **allocable**, that is, the project which pays the expense must benefit from it.
- The cost must be **reasonable**, that is the cost reflects what a “prudent person” would pay.
- Generally, if mileage is reimbursable then so is parking incurred between trip start and end.

Treatment of Specific Types of Cost, cont.

Examples of allowable parking charges:

- A PI drives within the local environs to meet with collaborators on a specific project.
- A researcher is working on a federally funded project that is spread among several Boston hospitals, requiring occasional trips from HMS to the affiliated hospitals.
- Subjects in a research study are reimbursed for parking expenses incurred when they visit the federally-funded study site.

Examples of unallowable parking charges:

- A consultant is hired to perform statistical analysis for an NIH-funded project. He comes to HMS to do this work. (Consultants should pay their own expenses.)

C. Spring Water

HMS considers spring water to be an expense that does not inherently meet the three allowability criteria for example as allocable to an individual research project. Spring water should normally be charged to a faculty or departmental discretionary account or departmental budget account.

Under unlike purpose and circumstances, spring water may meet those criteria. One example of a circumstance under which spring water is allowable on a sponsored project is if the water is purchased for use by research subjects.

Treatment of Specific Types of Cost, cont.

(7) Telecommunications, Cellular Phones, Internet Access

OMB Circular A-21, Section F6.b(3) notes that local telephone costs “shall normally be treated as F&A costs,” i.e. not charged directly to federal projects. Section F 6.b.(1) notes that telephone toll charges “shall be treated as direct cost wherever identifiable to a particular cost objective. Direct charging of these costs may be accomplished through specific identification of individual costs to benefiting cost objectives.” In other words, long distance charges may be charged directly to sponsored projects, ideally using specific identification of individual toll calls and projects from the itemized phone bill as documentation.

For HMS direct cost charging purposes, we interpret A-21 to mean the following:

Normally treated as F&A cost:

The following types of costs will normally **not** be allowable as a direct cost on a sponsored project and instead must be charged to a departmental budget account, departmental discretionary or PI discretionary account.

- Local telephone service
- Base fee for cell phone
- Internet access or subscription fee (allowable if discrete access is required (as in an off-campus location) solely for the purpose of the project being charged (as in for research data transmission)).

May meet criteria to charge directly:

- Long distance telephone charges
- Itemized cellular call charges

For these items to be charged directly to a grant, the charge must also meet the three general federal allowability criteria listed above, namely:

- The cost must be **allowable** under both the provisions of A-21 AND under the terms of a specific award.
- The cost must be **allocable**, that is, the project which pays the expense must benefit from it. As noted in A-21, there must be an appropriate methodology to associate a specific cost to the benefiting project. The ideal methodology is specific identification of the person called and the benefit that call provided to the sponsored project.
- The cost must be **reasonable**, that is the cost reflects what a “prudent person” would pay. Using a cell phone when local telephone service is available may not meet this criterion.

Treatment of Specific Types of Cost, cont.

Unlike Purpose and Circumstances

Under exceptional circumstances, local telephone expenses may be directly charged to a sponsored project. Exceptional circumstances apply when a project has a special or unique need for telephone communication. Phone usage must be significantly greater than the routine level required by academic or departmental usage. Procedures must be in place to ensure that the particular line is used exclusively for the project or activity to which it is being directly charged.

Examples of allowable local telephone charges:

- A dedicated line used to conduct a telephone survey
- A phone line used exclusively to manage a multi-site research project

Treatment of Specific Types of Cost, cont.

(8) Postage, Express Delivery

A. Postage

OMB Circular A-21, Section F6.b(3) notes that postage costs “shall normally be treated as F&A costs,” i.e. not charged directly to federal projects. Postage costs must be charged to a departmental budget account, departmental discretionary or PI discretionary account.

B. Express Delivery

Express delivery charges e.g. Fed Ex, may be charged directly to a grant when the charge meets the three general federal allowability criteria listed above, namely:

- The cost must be **allowable** under both the provisions of A-21 AND under the terms of a specific award.
- The cost must be **allocable**, that is, the project which pays the expense must benefit from it. As noted in A-21, there must be an appropriate methodology to associate a specific cost to the benefiting project. The ideal methodology is specific identification of the recipient of the package or express delivery and the benefit of the package contents to the sponsored project.
- The cost must be **reasonable**, that is the cost reflects what a “prudent person” would pay.

Treatment of Specific Types of Cost, cont.

(9) Other Expenses

Normally Charged Directly to Sponsored Projects

OMB Circular A-21, Section F 6.b.(1) identifies certain expenses that “shall be treated as direct cost wherever identifiable to a particular cost objective. Direct charging of these costs may be accomplished through specific identification of individual costs to benefiting cost objectives.” In other words, as long as specific identification can be made linking an individual expense with a sponsored project, the Circular acknowledges that these costs are normally appropriate as direct charges. The complete list provided in Circular A-21 is as follows:

- Technical staff
- Laboratory supplies (e.g. chemicals)*
- Telephone toll charges*
- Animals
- Animal care costs
- Computer costs
- Travel costs*
- Specialized shop costs

*specific guidance provided above

Yet sponsored projects may incur other types of costs that do not fit in these categories. This section will provide a default treatment for other types of expenditures:

Other costs that may often be charged directly when the three allowability criteria are met:

- Laptop computers
- Desktop computers
- Installation of electrical outlets required for project equipment

Other costs that would **not** normally be allowable as a direct charge:

- Filing cabinets (normally facilities infrastructure)
- Desks
- General educational / training costs, e.g., software training that cannot be associated with a specific project

Treatment of Specific Types of Cost, cont.

(10) Special Considerations for Federal Training Grants

While all the policies cited above apply to training grants, there are some special considerations for Trainee Related Expenses.

Trainee Related Expenses

Trainee Related Expenses (TRE's) are described in the NIH Grants Policy statement as "funds provided to defray such training costs as staff salaries, consultant costs, equipment, research supplies, staff travel and other expenses directly related to the training program." More specifically, the NIH Guide 26:16, expands the definition of TRE's as intended to "...enhance research training opportunities for individuals." There is probably not another direct cost category that carries a more liberal definition nevertheless, certain categories must be handled carefully.

The following types of expenses are generally allowable/acceptable:

- Consultant costs including seminar speakers (and their travel, honorarium) and related seminar/symposium expenses.
- Announcements, posters, brochures (including shared recruitment) costs.
- The cost of videotaping seminars because the seminars are trainee-related and trainees would benefit as it provided unquestionable educational value.
- Staff salaries to support training grant administration are also acceptable with the 5% minimum described above.
- Trainee travel including transportation, lodging, meals.
- Book allowance, journal club, data club.
- PI travel and conference fee when attending a conference with trainees.

The following types of expenses are generally **not** allowable/acceptable:

- Food in general is not an allowable training expense.
- Meals without associated travel are very difficult to justify as a direct cost to a federal award of any type, particularly training grants.
- PI travel and conference fee when attending a conference without trainees.

Harvard Faculty of Medicine

Sponsored Project Expenditure Policy

Appendices

A. EXCERPTS FROM FEDERAL OMB CIRCULAR A-21

Direct Charging of Administrative & Clerical Staff to Federally Sponsored Projects

Circular A-21, Section F

6. Departmental administration expenses.

b. The following guidelines apply to the determination of departmental administrative costs as direct or Facilities & Administrative (F&A) costs.

(1) In developing the departmental administration cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or F&A costs. For example, salaries of technical staff, laboratory supplies (e.g., chemicals), telephone toll charges, animals, animal care costs, computer costs, travel costs, and specialized shop costs shall be treated as direct cost wherever identifiable to a particular cost objective. Direct charging of these costs may be accomplished through specific identification of individual costs to benefiting cost objectives, or through recharge centers or specialized service facilities, as appropriate under the circumstances.

(2) The salaries of administrative and clerical staff should normally be treated as F&A costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. "Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. Some examples of major projects are described in Exhibit C.

Circular A-21, 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

Appendices, cont.

- 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.

Travel, OMB Circular A-21, Section 48

a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. Such costs may be charged on an actual basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, results in reasonable charges, and is in accordance with the institution's travel policy and practices consistently applied to all institutional travel activities.

Appendices, cont.

b. Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as a result of an institutional policy and the amounts claimed under sponsored agreements represent reasonable and allocable costs. In the absence of an acceptable institutional policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57 of Title 5, United States Code, or by the Administrator of General Services, or the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to sponsored agreements (41 U.S.C. 420).

c. Commercial air travel. Airfare costs in excess of the lowest available commercial discount airfare, Federal Government contract airfare (where authorized and available), or customary standard (coach or equivalent) airfare, are unallowable except when such accommodations would: require circuitous routing; require travel during unreasonable hours; excessively prolong travel; greatly increase the duration of the flight; result in increased costs that would offset transportation savings; or offer accommodations not reasonably adequate for the medical needs of the traveler. Where an institution can reasonably demonstrate to the sponsoring agency either the non-availability of discount airfare or Federal contract airfare for individual trips or, on an overall basis, that it is the institution's practice to make routine use of such airfare, specific determinations of non-availability will generally not be questioned by the Federal Government, unless a pattern of avoidance is detected. However, in order for airfare costs in excess of the customary standard commercial airfare to be allowable, e.g., use of first-class airfare, the institution must justify and document on a case-by-case basis the applicable condition(s) set forth above.

d. Air travel by other than commercial carrier. "Cost of travel by institution-owned, -leased, or -chartered aircraft," as used in this subsection, includes the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. Costs of travel via institution-owned, -leased, or -chartered aircraft shall not exceed the cost of allowable commercial air travel, as provided for in subsection c.

B. EXCERPTS FROM FEDERAL OMB CIRCULAR A-110

This Circular sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations.

Subpart C – Post-Award Requirements:

___21 Standards for Financial Management Systems

- (a) Federal awarding agencies shall require recipients to relate financial data to performance data and develop unit cost information whenever practical.
- (b) Recipients' financial management systems shall provide for the following.
 - (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Section ___.52. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for its reports on the basis of an analysis of the documentation on hand.
 - (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
 - (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
 - (4) Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data.

Appendices, cont.

- (5) Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient. To the extent that the provisions of the Cash Management Improvement Act (CMIA) (Pub. L. 101-453) govern, payment methods of State agencies, instrumentalities, and fiscal agents shall be consistent with CMIA Treasury-State Agreements or the CMIA default procedures codified at 31 CFR part 205, "Withdrawal of Cash from the Treasury for Advances under Federal Grant and Other Programs."
- (6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
- (7) Accounting records including cost accounting records that are supported by source documentation.
 - (c) Where the Federal Government guarantees or insures the repayment of money borrowed by the recipient, the Federal awarding agency, at its discretion, may require adequate bonding and insurance if the bonding and insurance requirements of the recipient are not deemed adequate to protect the interest of the Federal Government.
 - (d) The Federal awarding agency may require adequate fidelity bond coverage where the recipient lacks sufficient coverage to protect the Federal Government's interest.
 - (e) Where bonds are required in the situations described above, the bonds shall be obtained from companies holding certificates of authority as acceptable sureties, as prescribed in 31 CFR part 223, "Surety Companies Doing Business with the United States."

Subpart C – Post-Award Requirements:

___ .23 Cost sharing or matching

(a) All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria.

- (1) Are verifiable from the recipient's records.

Appendices, cont.

- (2) Are not included as contributions for any other federally-assisted project or program.
- (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- (4) Are allowable under the applicable cost principles.
- (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- (6) Are provided for in the approved budget when required by the Federal awarding agency.
- (7) Conform to other provisions of this Circular, as applicable.

(b) Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency.

(c) Values for recipient contributions of services and property shall be established in accordance with the applicable cost principles. If a Federal awarding agency authorizes recipients to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching shall be the lesser of (1) or (2).

- (1) The certified value of the remaining life of the property recorded in the recipient's accounting records at the time of donation.
- (2) The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project.

(d) Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization. In those instances in which the required skills are not found in the recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.

Appendices, cont.

(e) When an employer other than the recipient furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.

(f) Donated supplies may include such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.

(g) The method used for determining cost sharing or matching for donated equipment, buildings and land for which title passes to the recipient may differ according to the purpose of the award, if (1) or (2) apply.

(1) If the purpose of the award is to assist the recipient in the acquisition of equipment, buildings or land, the total value of the donated property may be claimed as cost sharing or matching.

(2) If the purpose of the award is to support activities that require the use of equipment, buildings or land, normally only depreciation or use charges for equipment and buildings may be made. However, the full value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the Federal awarding agency has approved the charges.

(h) The value of donated property shall be determined in accordance with the usual accounting policies of the recipient, with the following qualifications.

(1) The value of donated land and buildings shall not exceed its fair market value at the time of donation to the recipient as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the recipient.

(2) The value of donated equipment shall not exceed the fair market value of equipment of the same age and condition at the time of donation.

(3) The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.

Appendices, cont.

- (4) The value of loaned equipment shall not exceed its fair rental value.
- (5) The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties:
 - (i) Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees.
 - (ii) The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

Subpart C – Post-Award Requirements:

___ .24 Program income

(a) Federal awarding agencies shall apply the standards set forth in this section in requiring recipient organizations to account for program income related to projects financed in whole or in part with Federal funds.

(b) Except as provided in paragraph (h) below, program income earned during the project period shall be retained by the recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following.

- (1) Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.
- (2) Used to finance the non-Federal share of the project or program.
- (3) Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

(c) When an agency authorizes the disposition of program income as described in paragraphs (b)(1) or (b)(2), program income in excess of any limits stipulated shall be used in accordance with paragraph (b)(3).

(d) In the event that the Federal awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used, paragraph (b)(3) shall apply automatically to all projects or programs except research. For awards that support research, paragraph (b)(1) shall apply automatically unless the awarding agency indicates in the terms and conditions another alternative on the award or the recipient is subject to special award conditions, as indicated in Section ___ .14.

Appendices, cont.

(e) Unless Federal awarding agency regulations or the terms and conditions of the award provide otherwise, recipients shall have no obligation to the Federal Government regarding program income earned after the end of the project period.

(f) If authorized by Federal awarding agency regulations or the terms and conditions of the award, costs incident to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the award.

(g) Proceeds from the sale of property shall be handled in accordance with the requirements of the Property Standards (See Sections ____.30 through ____.37).

(h) Unless Federal awarding agency regulations or the terms and condition of the award provide otherwise, recipients shall have no obligation to the Federal Government with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award. However, Patent and Trademark Amendments (35 U.S.C. 18) apply to inventions made under an experimental, developmental, or research award.

Appendices, cont.

- C. **NIH GRANTS POLICY**
<http://grants.nih.gov/grants/policy/nihgps/index.htm>
- D. **PHS GRANTS POLICY**
<http://grants.nih.gov/grants/policy/gps/index.html>
- E. **FEDERAL SENTENCING GUIDELINES**
<http://www.ussc.gov/2000quid/chap8.htm>