Division of Finance and Facilities
Grants Fiscal Administration

Direct Charging Policy

The purpose of this policy is to provide the institutional standard for determining how costs are charged to grants, contracts and other sponsored projects.

Expenses specifically associated with a particular grant, contract or other sponsored projects are considered direct costs. Direct costs must be specifically identified as project activities with relative ease and a high degree of accuracy.

OMB Circular A-21 (http://www.whitehouse.gov/omb/circulars_a021_2004) is the document from the Federal Office of Management and Budget that defines cost principles for educational institutions, including appropriate charges to Federal awards.

Direct Costs should be directly charged to sponsored accounts. However, the terms of the specific agreement and the sponsoring agency’s regulations must be reviewed prior to determining the appropriateness of costs for an individual project.

Allowable direct costs must be:

- **Reasonable:** A prudent person would have purchased this item and paid this price.
- **Allocable:** Expenses can be assigned to the activity based on the benefit derived.
- **Consistently Treated:** Like expenses must be treated the same in like circumstances.
- **In Conformity** to any limitations or exclusions set forth in OMB Circular A-21, State, Agency, and University guidelines

Examples of Allowable Direct Costs include but is not limited to:

- Salaries and Wages/Employee Benefits: Faculty, technicians, research associates and assistants, including graduate research assistants and other students performing scientific or technical work, post doctoral associates and other technical and programmatic personnel necessary to meet the goals of the project.
- Professional and Consulting Fees
- Repairs and maintenance
- Special purpose equipment: equipment that is used only for research, medical, scientific, or other technical activities.
- Supplies: Laboratory and scientific supplies, chemicals, glassware, field supplies, compressed gases and liquids, radioactive material, and animals. These items should be charged to projects based on benefit derived. If multiple projects are being supported in one lab there must be a reasonable method of documenting allocation of charges to all projects.
- Telephone: long distance charges necessary to carry out the objectives of the sponsored project.
- Travel required to carry out the objectives of the sponsored project.

A listing of “Items Generally Unallowable as a Direct Charge on a Sponsored Project” can be found at http://www.niu.edu/grantsfiscal/policies/unallowable.shtml.
Facilities and Administration Costs (F&A) are also referred to as indirect costs or overhead and are associated with the conduct of sponsored activities that are incurred for common or joint objectives. Therefore, they are not easily identifiable with specific projects and are applied to a sponsored agreement on an average rate basis to help offset the infrastructure costs.

The Federal Office of Management and Budget (OMB) Circular A-21, requires that institutions negotiate a Facilities and Administrative cost rate agreement with the federal government to arrive at the F&A reimbursement rate. A number of institutional cost pools are applied to identify the indirect cost of conducting research in the process of developing the F&A rate proposal.

NIU follows the general guidelines in OMB Circular A-21 in determining the treatment of costs as direct or indirect. NIU’s F&A costs are consistent with the definitions of specific F&A cost categories in OMB Circular A-21. It is the responsibility of the university to ensure that costs incurred for the same purpose, in like circumstances, are consistently treated as either direct or indirect costs (F&A).

Project expenses that are not reimbursed by the sponsoring agency but contributed to the project by NIU and other collaborators either voluntarily or as required by the sponsor are considered cost sharing expenses.

The following are normally treated as F&A costs and are not directly charged to sponsored agreements nor used as cost sharing. These costs are charged to institutional funds and recovered through applications of the F&A rate.

Examples include but are not limited to:

- Accounting and audit costs.
- Computer Services or Use Fees
- Salaries and Wages/Employee Benefits for Administrative and clerical positions such as administrative assistants, accountants, office personnel, student office workers, purchasing agents and buyers; administrative activities of directors and assistant/associate directors, executive assistants, and other administrators.
- General purpose equipment
- Legal services, insurance, general recruitment advertising, repair and maintenance of general purpose equipment and facilities.
- Supplies: office supplies, custodial supplies, parts and supplies associated with repair and maintenance of general purpose equipment and facilities
- Library costs/collections/acquisitions.
- Travel related to administrative activities.
- Postage (including express delivery, etc.)
- Basic telephone service, installation, repair, and line charges; fax line charges; cellular phone purchase and use fees; utilities.
- Dues/memberships in professional and technical organizations, and subscriptions (other than those specifically required for the performance of the sponsored activity).

Major Project charges are those charges that require an extensive amount of administrative or clerical support/supply costs that are significantly greater than the routine level of services provided by academic departments. These expenses can be charged directly to a sponsored project in certain circumstances. Direct charging may be appropriate where a major project or activity explicitly budgets for administrative or clerical services/supplies, and these costs can be specifically identified with the project or activity.
Major Projects can be defined as:

- Large, complex programs
- Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting.
- 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 geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research sites 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 or clerical supplies would always be appropriate for the situations described above.

Federal regulations state that sponsor approval of a budget does not constitute approval of each specific line item. If a Principal Investigator believes that any of the costs listed above are appropriate as direct costs, they should be included in the proposal budget and be fully justified on the basis of the unique or mitigating scientific/technical needs of the project.

If the Principal Investigator determines that there is a need for these types of costs but they were not included and justified in the original budget submitted to the sponsor or to the Office of Sponsored Projects, the Principal Investigator may request an exception to direct charge the costs. The justification must be submitted to the Grants Administrator on the form “Request for an Exception to a Generally Unallowable Cost”. (Available on the GFA web site: [http://www.niu.edu/grantsfiscal/forms/index.shtml](http://www.niu.edu/grantsfiscal/forms/index.shtml))

**RESPONSIBILITY**

Caution should be exercised in requesting and approving the direct charging of costs normally treated as F&A costs. Restricted cost categories and other inappropriate charges can be readily detected in audits, resulting in disallowances that must be reimbursed to the federal government.

Principal Investigators and their departments are responsible for assuring that the costs assigned to projects are appropriate.

Requests for direct charging of items normally considered to be F&A should be addressed to Grants Fiscal Administration.

Departments should contact Grants Fiscal Administration directly regarding fiscal/administrative matters.

Grants Fiscal Administration shall be responsible for review and approval of exceptions and shall have final decision authority.