



**Direct Costing Policy: Expenditures for Sponsored Award- Related Goods and Services**

**Policy Title:** Direct Costing Policy: Expenditures for Sponsored Award – Related Goods and Services  
**Policy Type:** Administrative  
**Policy Number:** Policy #41-22 (2021)  
**Approval Date:** 03/29/2021  
**Responsible Office:** Finance and Administration  
**Responsible Executive:** Vice President of Finance and Administration  
**Applies to:** Principal Investigators / Program Directors for Externally Funded Sponsored Awards

**POLICY STATEMENT**

This policy establishes guidelines for procuring goods and services for sponsored projects. When procuring good and services for sponsored projects, Norfolk State University (NSU) must comply with federal regulations, Virginia law and regulations, sponsor terms and conditions, and NSU procurement procedures and regulations. Failure to comply with these requirements can result in the disallowance of costs or a prohibition for reimbursement of incurred costs

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**DEFINITIONS**

**Allowable** costs are those costs that are necessary and reasonable; conform to any limitations or exclusions in the terms of the award; consistently treated; and adequately documented. These

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general criteria are used to determine whether or not costs can be charged to a sponsored project by an authorized individual.

**Allocability**, a cost is allocable to a particular sponsored project, if the goods or services involved are chargeable or assignable in accordance with relative benefits received.

**Authorized approvers** are the Principal Investigator/Program Director and their designees; and in extenuating circumstances a university official with knowledge that the cost incurred will benefit the project and is allowable, allocable, and reasonable.

**Consistency**, a cost is considered to be treated consistently when the expense is treated as either a direct or F&A cost under like circumstances.

**Cost Share** is the portion of project costs not paid by Federal funds. Cost share is also referred to as “matching”.

**Cost Base**, also referred to as Modified Total Direct Cost, is the portion of project direct costs that are charged Facilities and Administrative (F&A) costs.

**Direct costs** are defined as costs that can easily and with a high degree of accuracy be identified with or assigned specifically to one of the following:

- A particular sponsored project,
- An instructional activity,
- Any other institutional activity.

**Facility & Administrative (F&A)** costs, also referred to as indirect costs, are costs incurred for common or joint activities of NSU and therefore cannot be identified readily and specifically with a particular sponsored project, instructional activity, or other University activity. Indirect costs generally include administrative and clerical salaries with related fringe benefits, office supplies, general postage, university phone system and local telephone charges, equipment, general building improvements, and other general costs.

**Prior Approval** usually “prior written approval” from a sponsor may be obtained in order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability; the non-Federal entity may seek the prior written approval of the sponsor in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement.

**Reasonable** costs are those where the nature of the goods or services acquired or applied and the amounts involved reflect the action that a **prudent** person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.

**Total cost**, a project’s total cost is the sum of allowable direct and allocable indirect costs, less any applicable credits.

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### **CONTACT(S)**

Finance and Administration Controller's Office and Office of Sponsored Programs officially interprets this policy. Finance and Administration Controller's Office is responsible for obtaining approval for any revisions as required by BOV Policy # 01 (2014) *Creating and Maintaining Policies* through the appropriate governance structures. Questions regarding this policy should be directed to the Finance and Administration Controller's Office.

### **STAKEHOLDERS:**

Principal Investigators / Program Directors for Sponsored Awards

### **EXPENDITURES FOR SPONSORED AWARD RELATED GOODS AND SERVICES**

When purchasing sponsored award related goods and services NSU abides by the standards defined in the Uniform Guidance for Grants and Agreements, including 2 CFR 200 Subpart E, Cost Principles, funding agency requirements, and award terms and conditions. The University is committed to sound fiscal stewardship of all University funds. **Appendix I: Direct Costing Practices** provides additional guidance on acceptable and unacceptable costing practices.

Based on federal guidance all expenses charged to a sponsored program award must meet the following requirements to be eligible for sponsor reimbursement.

**Allowable Costs:** Expenses charged to a sponsored program award must meet the following allowability criteria:

- (1) must be reasonable,
- (2) must be allocable to sponsored agreements,
- (3) must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances,
- (4) must conform to any limitations or exclusions set forth in the federal cost principles or in the sponsored agreement, and
- (5) must be supported by documentation.

### **Reasonable Costs:**

A cost is considered reasonable if the nature of the goods or services acquired or applied and the amounts involved reflect the action that a **prudent** person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.

Major considerations involved in the determination of the reasonableness of a cost are:

- 1) whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement;
- 2) the restraints or requirements imposed by such factors as arm's length bargaining. Federal and State laws and regulations and sponsored agreement terms and conditions;

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- 3) whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government and the public at large; and
- 4) the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

**Allocable Costs:**

A cost is allocable to a particular project if the goods or services involved are chargeable or assignable to the project in accordance with relative benefits received.

A cost is allocable to a sponsored project if it:

- 1) is incurred solely to advance the work under the sponsored agreement;
- 2) benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, and
- 3) the costs can be readily and specifically identified with the project with a high degree of accuracy.

The exception to the allocability requirement is equipment which has been specifically budgeted and approved by the sponsor.

**Consistently Treated**

The Federal government requires that costs be treated consistently as either a direct or indirect costs. Failure to treat costs consistently can result in double charging the sponsor for costs that are charged directly to the project, which are also included in NSU F&A rate.

There may be certain circumstances when costs that are normally treated as F&A can be directly charged to a sponsored project as direct costs if ALL of the following conditions are met:

- 1) The costs are required by the project scope and are incurred for a different purpose or in unlike circumstances than similar types of costs included in the University's indirect cost rate; and
- 2) These items of costs were justified, separately budgeted for, and approved by the sponsoring agency.

A different purpose or unlike circumstance may necessitate the direct charging of costs that are normally treated as indirect costs on a sponsored project. If normally indirect cost items are required for a project, these items should be identified explicitly in the proposal budget and budget justification. If the need for a normally indirect cost item is identified after the project is funded the cost may be allowable if sponsor prior approval is granted.

Charging costs directly to a sponsored project that are normally treated as indirect may be appropriate for projects that involve the following special purpose or circumstance:

- (1) Indirect functions which are specifically identified with the project, expressly discussed in the award and allowed by the sponsor's guidelines will be charged direct

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whenever they are a principal part of the deliverable of the award, such as:

- Extensive data accumulation, analysis, and tabulation
  - Preparation of large reports, manuals or books
  - Extensive travel and meeting arrangements for conferences and seminars
- (2) Training grants whose project budgets may include costs that are normally indirect when reasonable, and specifically identified with the project and budgeted in the award.
- (3) Planning grants used for preliminary work to determine the feasibility of a proposed line of inquiry, and/or other activities that will facilitate proposal development. Indirect costs these types of agreements are funded by federal agencies at specified percentages. Project budgets for planning grants include an allowance for direct charging indirect costs specifically identifiable with the project.
- (4) Projects which are geographically inaccessible to normal departmental administrative services.
- (5) Agreements for program funding in which the institution's cost recovery on indirect costs is limited by regulations and statutory requirements like United States Department of Agriculture (USDA) appropriations and State sponsored projects. These mandates may, however, authorize the direct reimbursement for indirect expenses.
- (6) Projects sponsored by other organizations which specifically require that items normally charged indirect are charged direct.

### **Unallowable Costs and Costs Requiring Prior Approval**

Unallowable costs are costs or expenditures that the sponsor or the federal government deems inappropriate and will not reimburse. Sponsor specific unallowable costs are typically identified in the program guidance or the award terms and conditions. For federal awards unallowable costs are identified in 2 CFR 200 Subpart E. Sometimes activities and expenses that are unallowable for reimbursement using federal funds may still be appropriate, necessary and allowable using non-federal funds, it is important that these costs are identified appropriately in NSU financial records as these costs must be excluded from the University's F&A rate proposal.

Major unallowable costs are alcohol, entertainment, advertising, moving costs, trustee related costs, making up losses on other sponsored agreements, preaward proposal costs (for NSU), lobbying and paying fines and penalties. Additional guidance on unallowable costs and exceptions which may make these costs allowable see *Appendix IV, Unallowable Costs and Exceptions*. Please contact the Office of Sponsored Programs and Research for additional guidance.

Sponsors, including the Federal government may identify costs which require prior approval for the expenditures to be allowable. Costs identified by the Federal Government in 2 CFR 200 which require prior approval include:

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- Issuance of subawards not previously approved. (200.308).
- Issuance of fixed price subawards (200.332).
- Clerical and administrative costs (200.413)
- Cost increases for fluctuations in exchange rates (200.440).
- Costs of membership in any civic or community organization (200.454).
- Use of or changes in the use of funds for participant support (200.456)
- Costs of selling and marketing (200.467).
- Travel costs for dependents are unallowable, except for travel of duration of six months or more (200.474).
- Charges of a faculty member's salary in excess of the proportionate share of the IBS (200.430).
- Faculty or staff extra service pay (200.430).
- Intra-institutional consulting (200.430)
- Any equipment purchase (general or specialized) (200.439)
- Costs of entertainment, including amusement, diversion, and social activities and any associated costs (200.438).
- Fund raising costs (200.442).
- Travel costs of government officials (200.474)

As indicated above, additional costs which are unallowable on federal awards or only allowable with prior approval are identified in *Appendix IV: Unallowable Costs and Exceptions*.

**Responsibilities:**

The PIs are held responsible for the financial oversight of their sponsored award; however, they work closely with budget officers in their departments. Additional oversight is provided by support offices such as Office of Sponsored Programs & Research, as well as Grants and Contracts Accounting, Procurement, Human Resources, and Office of Information Technology.

**Principal Investigators (PI)/ Principal Directors (PD) responsibilities include:**

- Reading and understanding the terms and conditions of the award funding, including allowable cost.
- Complying with the University and award policies and regulations.
- Attending the sponsored award setup meeting.
- Approving the initial sponsored award budget for loading into Colleague by signing the BU1.5 Budget Form
- Maintaining fiscal oversight of their awards;
- Ensuring that all disbursements are allowable and are authorized based on terms and conditions of the award;
- Charging expenses to the appropriate account;
- Expending funds according to their approved budgets, with in the project period, and in accordance with this policy;
- Approving and train any individuals who have delegated expenditure authority on the requirements of this policy;
- Properly authorizing and documenting expenditures;



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- Monitoring all aspects of their subawards, including subawardee performance and approval of invoices;
- Monitoring budgets and ensuring in advance that department financial resources are sufficient to pay for any goods
- Reviewing expenditures on a monthly basis and correct overruns or errors, if necessary;
- All vendor invoices should be sent to Accounts Payable; however, if invoices are received by PI or PD, forwarding invoices sent directly by the vendor to the department to Accounts Payable for processing;
- Staying informed about current processes and procedures applicable to the purchase and payment of goods and services; and
- Inspecting items received and making sure they are in acceptable condition; if not, contacting procurement.
- Preparing for close out of the sponsored award.
- Reviewing, approving, and submitting time and effort monthly report.
- Submitting the Colleague Financial Signature form to Enterprise Application Services in the Office of Information Technology to gain access to the sponsored award project within the University's Financial Reporting System Colleague Financials.
- Contacting OSP if there are any changes that may require prior approval from the sponsor.

**Office of Sponsored Programs (OSP)/Dean of Graduate Studies and Research (DGSR) responsibilities include:**

- Serving as NSU Authorized Official for externally sponsored award matters. (OSP)
- Approving all initial requests to sponsors for all budgets.(OSP)
- Negotiating final fiscal and technical terms and conditions of awards.(OSP)
- Providing award notification to PI and GCA including the full award documentation with awarded budget, reporting requirements, and links to terms and conditions.(OSP)
- Seeking approval for changes in program scope and other deliverables requiring sponsor approval with PI/PD support. (OSP)
- Verifying if costs are allowable for HR-1 personnel action and Stipend forms involving external award funding. (DGSR)
- Providing Active Sponsored Programs listing monthly to GCA for reconciliation to Colleague Financials.(OSP)
- Approving budget modification before budget loading by GCA in Colleague. (OSP)
- Approving budget line adjustments that impact scope of work, subcontracts, personnel, participant support cost(s) and indirect cost (OSP) (Effective January 2020).
- Overseeing compliance to rules & regulations of the externally funded sponsored award.(OSP)

**Grants and Contract Accounting responsibilities include:**

- Attending the sponsored award set up meetings.
- Creating sponsored award projects in Projects Accounting Module in Colleague Financials.

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- Loading the sponsored award project budget in Colleague.
- Processing approved budget amendments through the BU-1.5 Form.
- Preparing fiscal reports including monthly, quarterly, periodic and final billing for reimbursements for state and private sponsored awards.
- Submitting monthly invoices to sponsors (if applicable).
- Preparing electronic drawdown request for Federal funds, to include Federal financial aid programs.
- Assisting PI's/PD's with sponsored award close-out including reviewing of unliquidated encumbrances and requisitions.
- Preparing final financial close out report by the stated deadline.
- Distributing Time and Effort Reports and monitoring outstanding reports.
- Signing off on HR-1 Forms and stipend forms to verify fund availability and alignment to budget.
- Processing approved Budget Line Adjustment request.
- Processing refund payment back to the sponsoring award agency for unspent funds.

#### **Office of Procurement responsibilities include:**

- Creating purchase orders from requisitions submitted by the PI/PD. Following up on certain purchase orders, when necessary
- Providing training to PI/PD to identify vendors and providing a list of suppliers
- Initiating bid process for items \$10,000 or greater
- Negotiating with vendor
- Complying with the federal procurement requirements in 2 CFR 200.317-200.326.

#### **Small Purchase Charge Card**

The University's small purchase charge cards (SPCC), or p-cards can be used for paying small dollar goods and services. PI/PD can obtain an SPCC card by contacting the SPCC Administrator with Procurement Services. See Small Purchase Card Policy # 43-13 (2014) - <http://www.nsu.edu/policy/admin-43-13.aspx>.

The following administrative services are provided by the Purchase Card Office:

- Purchasing card application
- Provide training for awardees
- Monitor transactions
- Disallow use of Purchasing card if procedures are not followed

#### **Human Resources**

Many awards contain funds for hiring personnel to implement projects. PI/PDs must ensuring HR-1 forms are submitted timely to hire, change coding, or separate. If a position/employee is changing from one sponsored award to another or the % of effort changes, an HR-1 form is required. Please see HR-1 form and procedure on the O:drive in the Human Resource>HR1 folder <O:\Human Resources\HR1>.



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### **Office of Information Technology (OIT)**

Grants and Contracts Accounting will create the sponsored award project and load the associated budget in the Colleague Financial Project Module. To gain access to the sponsored award project in Colleague to charge expenses and monitor activity, the PI/PD must submit the Colleague Financial Signature form to Enterprise Application Services in the Office of Information Technology. If the PI/PD or the person assigned to have access to enter in requisitions for the sponsored award does not have colleague access the Colleague User Access form must also be submitted along with the Colleague Financial Signature form. Both forms can be found on the OIT's website <http://www.nsu.edu/oit/forms>. Once the forms are processed, OIT will notify the person requesting access that they can access the sponsored award project in Colleague Projects Accounting.

### **Budget and Expenditure Monitoring**

PI/PDs are required to review expenditures on a monthly basis and correct overruns or errors, if necessary. PI/PDs can review transactions posted to the sponsored award monthly by using Projects Accounting Self Service located in MYNSU and clicking on Spartan Self-Service. Expand the For Colleague Financials menu option and select View Project. Grants and Contracts Accounting will send a monthly report to obtain certification by the PI/PD on the monthly transactions. The certification is as follows:

By signing this report, I certify that to the best of my knowledge and belief that the report is true, complete, and accurate and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812)."

The Research Compliance Auditor also monitors sponsored award budget and expenditures to monthly for timeliness or spending. Based on the review additional information and documentation may be requested from the PI/PD.

### **Expenditure Approvals**

All purchases for goods and services using sponsored program award funding awarded to Norfolk State University must run through the University's Financial System Colleague. To purchase goods and services, a purchase requisition is entered into the Colleague. Depending on the goods and services being procured an eVA requisition may also be required (see below table for guidance). Requisitions entered into Colleague are then routed for approval through Colleague workflow process. The approval of a transaction is identified on the Colleague Financial Signature Form submitted to OIT after the sponsored award is set up. Depending on the PI/PD departmental approval chain of command, the approval flow may include the PI/PD, Department Chair and or Dean, Provost, and Title III Coordinator if applicable. Requisitions must be approved by the persons in the Colleague workflow before Procurement Services can review. Quotes are then sent to Procurement through psforms@nsu.edu to process. The purchase order is created in Colleague and eVA (if applicable), with all appropriate approvals showing electronically in Colleague. The goods and/or services are delivered and the PI/PD or

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administrative staff will accept the items in Colleague and receive in eVA (if applicable). The vendor will send the invoice to Accounts Payable for processing. Accounts Payable will perform a 3-way match. The invoice is matched to the approved purchase order and the receiving done by the department that verifies the good or service was received. Invoices are processed 30 days after the invoice is received or 30 days after the receipt of the good or service whichever is the latest. See Appendix VI: Steps To A Successful Procurement.

<b>COLLEAGUE&amp; eVAORDER REQUIRED</b>	<b>COLLEAGUE ORDER ONLY (eVAExempt)</b>
<ul style="list-style-type: none"> <li>•Supplies</li> <li>•Equipment</li> <li>•Consulting</li> <li>•Photography</li> <li>•Government to Government</li> <li>•Advertisements such as in newspapers, magazines, journals, radio, television, etc.</li> <li>•Honoraria</li> <li>•Thompson Hospitality</li> <li>•Barnes &amp; Noble</li> <li>•Entertainment (speakers, lecturers, musicians, performing artists)</li> </ul>	<ul style="list-style-type: none"> <li>•Registrations</li> <li>•Memberships</li> <li>•Travel</li> <li>•Stipends</li> <li>•Reimbursements (not to exceed \$100)</li> <li>•Print Shop</li> <li>•Paper from Central Warehouse</li> <li>•Fleet</li> <li>•Airlines</li> </ul>

Personal expenses are processed through the HR-1 Form process. Approval flow for the HR-1 for personnel on sponsored award includes the PI/PD, Dean, Grants and Contracts Accounting, Title III Director or OSP – Dean of Graduate Studies and Research, Provost/Vice President/, Financial Aid (if applicable) and Human Resources. Once Human Resources approves, the personal action is send to the Payroll Office for processing.

PI/PDs can review all transactions posted to the sponsored award through the Projects Accounting Self Service portal.

**Record Retention Requirements for Sponsored Programs.**

Documentation of the sponsored award project must be maintained for a period of three years following the date that the final financial report for that project is submitted to the sponsor. For competing awards this period would be for three years following the date that the final financial report for the competing segment is submitted.



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### **EDUCATION AND COMPLIANCE:**

#### **A. TRAINING**

Training for this policy is intended to educate primary investigators/ primary directors and administrators that will have a role in administering this policy or to be recipients of the sponsored awards specified in this policy.

1. As necessary, the Office of Sponsored Programs with the assistance of other administrative units such as Human Resources and/or the Division of Finance and Administration will educate and train all stakeholders and appropriate audiences on the policy's content using virtual or face to face engagements.

#### **B. POLICY COMPLIANCE AND VIOLATIONS:**

1. The Controller's Office and Office of Sponsored Programs assesses and measures compliance with the expenditure on sponsored award policy through the review of financial reports, budget modification and related documentation as well as administrative processes that include financial reviews.
2. Violations of this policy will be addressed in accordance any relevant federal, NSU and Commonwealth of Virginia policies.

### **REVIEW SCHEDULE**

- Next Scheduled Review: 03/29/2024
- Approval by, date: Board of Visitors, MM/DD/YYYY
- Revision History: MM/DD/YYYY
- Supersedes:

### **RELATED DOCUMENTS**

#### **I. Exhibits**

- Appendix I: Direct Costing Practices
- Appendix II: Treatment of Costs as Direct or Indirect
- Appendix III: NSU Indirect Cost Expense Codes
- Appendix IV: F&A Costs Charged Directly
- Appendix V: Unallowable Costs and Exceptions
- Appendix VI: Steps To A Successful Procurement



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### **Appendix I: Direct Costing Practices**

#### **I. Proportional Benefit**

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should 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.

#### **II. Documentation of Direct Costs**

In order to charge a cost directly to a sponsored project, the principal investigator (or his/her designee) must have appropriate documentation for the charge as follows:

1. The cost must be specifically identified with activity in the sponsored project to which the costs is charged.

For example:

- a. Long distance toll charges and fax costs should be linked to the sponsored project by means of a manual log or project-specific access code.
  - b. Purchases for a specific sponsored project must identify the appropriate sponsored award department and project number on the requisition or other payment request document.
  - c. Costs must be charged to sponsored projects based upon anticipated usage at the time of original purchase. Similarly, supplies subsequently drawn from a central storeroom inventory must be charged directly to a sponsored project based on anticipated usage documented at the time of withdrawal (by means of a manual log, draw sheets, etc.)
  - d. Service center charges should be charged directly to the sponsored project.
2. **Documentation** that links the cost incurred to the sponsored activity should be done **by someone who is in a position to know the sponsored activity**, e.g. the person who is making the telephone call, the person taking supplies from a common storeroom, or a person designated by the principal investigator to purchase goods and services for that particular project.
  3. **Documentation of the project must be maintained for a period of three years** following the date that the final financial report for that project is submitted to the sponsor. For competing awards this period would be for three years following the date that the final financial report for the competing segment is submitted.
  4. Only **actual costs** may be charged to the sponsored project.

#### **III. Unacceptable Direct Costing Practices**

The following direct costing practices are generally unacceptable because they do not meet the standard for a “high degree of accuracy” in the assignment of costs to sponsored projects.

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- Rotation of charges among sponsored projects by month without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored project;
- Assigning charges to the sponsored project with the largest remaining balance;
- Charging the budgeted amount (in contrast to charging an amount based on actual usage);
- Assigning charges to a sponsored project in advance of the time the actual cost is incurred;
- Describing a cost as something other than what it actually is;
- Charging expenses exclusively to sponsored projects, when the expense also supports non-sponsored activities; and
- Assigning charges that are part of normal administrative support (indirect costs) for sponsored projects (e.g. accounting, payroll, departmental administration, etc.).



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**Appendix II: Treatment of Costs as Direct or Indirect**

<b>Direct Costs</b>	<b>Indirect Costs (F&amp;A)</b>
Salaries, Wages, and Fringe benefits, such as: <ul style="list-style-type: none"> <li>○ principal investigator</li> <li>○ research associate</li> <li>○ laboratory technician</li> <li>○ graduate research assistant</li> </ul>	Administrative and Clerical Salaries, Wages, and Fringe Benefits
Service Center Charges, including: <ul style="list-style-type: none"> <li>○ animals and animal care</li> <li>○ laboratory testing services</li> <li>○ project specific Facilities Management work orders</li> <li>○ duplicating for project specific mass mailings or other large volume jobs</li> </ul>	Service Center Charges, including: <ul style="list-style-type: none"> <li>○ see local telephone charges below</li> <li>○ duplicating for routine copying</li> </ul>
Scientific Computer Software	General Purpose Software and Computer Supplies, such as: <ul style="list-style-type: none"> <li>○ word processing and spreadsheet programs</li> <li>○ printer paper</li> <li>○ toner cartridges</li> </ul>
Project-Specific Equipment	General Use Equipment (i.e. used for multiple purposes)
Project-Specific Equipment Maintenance Contracts and Project-Specific Equipment Repair	
Project-Specific Equipment Rental	
Project-Specific Motor Vehicle Expenses	
Participant Costs, such as: <ul style="list-style-type: none"> <li>○ fellowships on training grants</li> <li>○ research subject payments</li> </ul>	
Project-Specific Space Costs (if rented off-campus from a third party)	Internal Space Cost (if rent is paid internally for University space)
Overnight/Express Delivery when needed to transport project material (other than routine reports) in a timely manner, such as: <ul style="list-style-type: none"> <li>○ Federal Express</li> <li>○ US Postal Priority Mail</li> <li>○ UPS</li> <li>○ Freight</li> </ul>	Postage Costs, such as: <ul style="list-style-type: none"> <li>○ US non-priority mail</li> <li>○ delivering routine reports</li> </ul>
Subcontract Costs	
Supplies & Materials <ul style="list-style-type: none"> <li>○ laboratory supplies and material</li> </ul>	Office Supplies <ul style="list-style-type: none"> <li>○ pens and pencils</li> </ul>

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<ul style="list-style-type: none"> <li>○ educational supplies and materials</li> <li>○ instructional supplies and material</li> </ul>	<ul style="list-style-type: none"> <li>○ paper</li> <li>○ file folders</li> <li>○ binders (unless project-dedicated lab notebooks)</li> </ul>
<p>Long Distance Telephone Costs</p> <ul style="list-style-type: none"> <li>○ project-specific toll charges</li> <li>○ project-dedicated field work phones</li> </ul>	<p>Local Telephone Charges</p> <ul style="list-style-type: none"> <li>○ basic line charges</li> <li>○ networking service charges</li> <li>○ local calls</li> <li>○ pagers</li> <li>○ cellular phones (unless project-dedicated field work phones)</li> </ul>
	Membership Dues
Travel Directly Applicable to Project Requirements	Travel Not Directly Applicable to the Projected Requirements
Publication of Project-Specific Research	Publication-General
Patient Care	
Advertising for Research Subjects	Advertising for Personnel (except for unique project specific personnel)
	Reproduction Costs (photocopying)
	Utilities
Project-Specific Consulting	General Consulting

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Administrative and clerical salaries, office supplies, postage, local telephone costs (including monthly service charges), and membership dues are normally treated as indirect costs. However, for sponsored projects which have special purposes and circumstances, costs that are normally indirect may be directly charged if certain conditions are met. Please see Procedure Appendix III for the specific requirements.



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**Appendix III: NSU Indirect Cost Expense Codes**

Indirect cost expenses charged to sponsored awards use the object code 69301. Indirect cost is applied monthly to the sponsored award project through an automated process in Colleague Financials.

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### **Appendix IV: F&A Costs Charged Directly – Special Circumstances**

#### **Unlike and Special Circumstances**

There may be certain circumstances when costs that are normally treated as F&A can be direct charged to a sponsored project as direct costs if ALL of the following conditions are met:

- The costs are required by the project scope and are incurred for a different purpose or in unlike circumstances than similar types of costs included in the University indirect cost rate; and
- The costs can be readily and specifically identified with the project with a high degree of accuracy; and
- These items of costs were justified, separately budgeted for, and approved by the sponsoring agency.

The **special purposes or circumstance** of the sponsored project that necessitates the direct charging of costs that are normally treated as indirect costs should be stated explicitly in the Budget Justification section of the proposal/acceptance document. Also, the budget page should include a footnote that documents the special purpose or circumstance applicable to that sponsored project.

Charging costs directly to a sponsored project that are normally treated as indirect may be appropriate for projects that involve the following special purpose or circumstance:

(1) Indirect functions which are specifically identified with the project, expressly discussed in the award and allowed by the sponsor's guidelines will be charged direct whenever they are a principal part of the deliverable of the award, such as:

- Extensive data accumulation, analysis, and tabulation
- Preparation of large reports, manuals or books
- Extensive travel and meeting arrangements for conferences and seminars

(2) Training grants whose project budgets may include costs that are normally indirect. Line items in the budget authorize the direct charging of costs as appropriate when reasonable, specifically identified with the project and budgeted in the award.

(3) Planning grants used for preliminary work to determine the feasibility of a proposed line of inquiry, and/or other activities that will facilitate proposal development. Indirect costs these types of agreements are funded by federal agencies at specified percentages. Project budgets for planning grants include an allowance for direct charging indirect costs specifically identifiable with the project.

(4) Projects that are geographically inaccessible to normal departmental administrative services.

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(5) Agreements for program funding in which the institution's cost recovery on indirect costs is limited by regulations and statutory requirements like United States Department of Agriculture (USDA) appropriations and State sponsored projects. These mandates may, however, authorize the direct reimbursement for indirect expenses.

6) Projects sponsored by other organizations which specifically require that items normally charged indirect are charged direct.



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### **OSP and Sponsoring Agency Approval**

In order to meet the above criteria when charging salaries of administrative and clerical staff or other costs normally treated as indirect costs directly to a sponsored project, the project proposal budget is required to specifically identify the administrative and clerical salaries and/or other costs which are requested. **These costs must be justified or explained in the proposal/award narrative and documented in the budget justification as a footnote to the project budget.** Through the authorized representative's signature on the proposal OSP concurs with the justification. If OSP does not concur with the justification, the proposal budget and narrative must be amended. Since these items are specifically set forth in the proposal, NSU will assume that the sponsoring agency has approved this exceptional treatment of administrative and clerical salaries or other costs if they accept the proposal and subsequently fund the project. It is the principal investigator's responsibility to go through OSP for any changes made to the proposed budget in preaward negotiation with the sponsor.



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**Appendix V – Unallowable Costs and Exceptions**

**Unallowable costs** include not only those costs identified as unallowable, but also include “directly associated costs,” which are those that would not have been incurred if the unallowable cost had not been incurred.

While a cost defined in 2 CFR §200.402 Composition of costs through §200.411 may be determined unallowable as a direct cost to any federally sponsored agreement, it still may be a cost that is reasonable and necessary to the conduct of the business of the University. Such costs may be charged to cost centers that are part of the University’s indirect cost pools (e.g. academic units, dean’ offices and central administration) that may be allocated to federally sponsored agreements. Such costs need to be identified and removed from these cost pools. **As such, the use of appropriate account codes and/or center numbers described below applies to ALL unallowable cost incurred by the University, regardless of the source of funds.**

<b>Unallowable Cost Categories</b>
<p><b>§200.421 Advertising and Public Relations</b></p> <p>The only allowable advertising costs are:</p> <ul style="list-style-type: none"> <li>• Recruitment of personnel</li> <li>• Procurement of goods and services</li> <li>• Disposal of scrap or surplus materials</li> <li>• Program outreach required by a sponsored agreement</li> </ul> <p>The only allowable public relations costs are:</p> <ul style="list-style-type: none"> <li>• Costs specifically required by the Federal award;</li> <li>• Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award (these costs are considered necessary as part of the outreach effort for the Federal award); or</li> <li>• Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.</li> </ul>
<p><b>§200.422 Advisory councils</b></p> <p>Are unallowable unless authorized by Federal statute, the federal awarding agency or as an indirect cost where allocable.</p>
<p><b>§200.423 Alcoholic beverages</b></p> <p>Alcoholic beverages are unallowable, including beer, wine, and mixed alcoholic drinks. However, alcohol can be directly charged to a research project if the nature of the research specifically requires the purchase and use of alcohol, and the sponsor explicitly approves the cost.</p>
<p><b>§200.422 Alumni/ae activities</b></p>

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<p>Costs incurred for, or in support of, alumni/alumnae activities and similar services are unallowable</p>
<p><b>§200.426 Bad Debts</b></p> <p>Any losses, whether actual or estimated, arising from uncollectible accounts and other claims, and any related collection and legal costs are unallowable.</p>
<p><b>§200.429 Commencement and Convocation</b></p> <p>Costs incurred for commencement and convocations are unallowable.</p>
<p><b>§200.433 Contingency Provisions</b></p> <p>Contingency reserves or similar provision made for events, the occurrence of which cannot be foretold with certainty, is unallowable.</p> <p>Contingency amounts which are explicitly budgeted may be allowable when approved by the sponsor. Amounts must be estimated using broadly-accepted cost estimating methodologies, specified in the budget documentation.</p>
<p><b>§200.434 Contributions and Donations</b></p> <p>All donations and contributions made by the University, regardless of the recipient, are unallowable. Services donated or volunteered to a sponsored project may be used to meet cost sharing requirements.</p>
<p><b>§200.435 Defense and Prosecution of Criminal and Civil Proceedings, Claims, Appeals and Patent Infringements</b></p> <p>Generally, these costs are unallowable. The only exception is when the federal government specifically authorizes the condition causing the action.</p>
<p><b>§200.438 Entertainment Costs</b></p> <p>Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable. Entertainment costs are allowable, when the purpose of the entertainment is considered to have a programmatic purpose and the costs are authorized either in the approved budget or with prior written approval of the sponsor.</p>
<p><b>§200.441 Fines and Penalties</b></p> <p>Costs resulting from violations of or failure of the institution to comply with Federal, State, and local or foreign laws and regulations are unallowable. The only exception is when the sponsor authorizes, in advance, such payments.</p>
<p><b>§200.442 Fund Raising and investment management costs</b></p> <p>Costs of organized fund raising, including financial campaigns, endowment drives, solicitation</p>

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<p>of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable. This includes salary, printing, room charges, travel, meals, and supply costs of fund raising. However, fund raising costs for the purpose of meeting the program objectives are allowable with sponsor prior written approval.</p>
<p><b>§200.445 Goods or Services for Personal Use</b></p> <p>Costs for goods or services for personal use by University employees, including housing expenses (e.g. depreciation, rent, maintenance, utilities, furnishings, etc.), housing allowances, and personal living expenses for University officers, are unallowable. When approved in advance by the sponsor, housing costs can be allowable.</p>
<p><b>§200.449 Interest Expense</b></p> <p>Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the University's own funds, however represented, are unallowable.</p>
<p><b>§200.450 Lobbying</b></p> <p>In general, lobbying costs are unallowable, except in the case of technical and factual presentations directly related to the performance of a grant, contract or other agreement in response to a request made by member of congress, legislative body or a subdivision, or a cognizant staff member thereof.</p>
<p><b>§200.451 Losses on other awards or contracts.</b></p> <p>Any excess of costs over income for any sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to, the University's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for F&amp;A costs.</p>
<p><b>§200.454 Memberships, Subscriptions and Professional Activity Costs</b></p> <p>Memberships in any country club or social or dining club are unallowable. Costs of membership in civic or community organizations are allowable with prior approval of the sponsor. Membership in any organization whose primary purpose is lobbying is unallowable. Membership in business, technical and professional organizations are allowable.</p> <p>The only allowable subscription costs are for subscriptions to business, professional or technical periodicals.</p>
<p><b>§200.467 Selling and Marketing</b></p> <p>Costs of selling and marketing any services or products of the institution are unallowable, unless necessary for the performance of the award and specifically provided for in the award or by the sponsor.</p>
<p><b>§200.469 Student activity costs</b></p> <p>Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable.</p>

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### **Appendix VI – Steps To A Successful Procurement**

1. Determine goods or services to be procured.
2. Seek out (or Source) the appropriate supplier to provide the goods or services.
  - Mandatory Sources
    - Statewide Mandatory Contracts
    - Virginia Correctional Enterprise (VCE)
    - Virginia Distribution Center (VDC)
    - Virginia Industries For The Blind (VIB)
    - Office Of Graphic Communications (OGC)
    - Office Of Fleet Management Services (OFMS)
    - Virginia Information Technology Agency (VITA)
  - NSU Term Contract Vendor
    - Contact Procurement Services for Detailed Listing
  - Micro-SWaM/ SWaMSuppliers
    - Certified by Department of Small Business and Supplier Diversity (DSBSD)
3. Review quote, determine payment method.
  - What form of payment does the vendor accept?
    - Accounts Payable –Colleague & eVA
    - SPCC –eVAonly.
  - Is the cost of an individual good on this quote \$500 or more? Is it a fixed asset?
    - Accounts Payable –Colleague & eVA
4. **Requisition Input (PR)**
  - Quote to eVAMatch
  - Details –Who, What , When, Why, Where
  - *DOCUMENT, DOCUMENT, DOCUMENT!!*

**ATTACHMENTS**

  - Quote
  - Sole Source Documentation
  - Purchase File Documentation form
5. **Purchase order assigned.**
  - eVA–PCO / EP
  - Colleague –B / P
  - Does the vendor automatically receive eVAorders?
6. **Properly receive items.**
  - Receiving should be completed when goods/services are physically received.

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- If received required in Colleague, receive at the same time.
7. **Purchase order (PO) changes.**
- Open PO
  - Change PR details
8. **4-Way Match**
- *QUOTE* o *REQUISITION* o *PO* to *INVOICE*

CONTACT:  
Procurement Services  
Harrison B. Wilson, Suite 150  
757-823-8053

**FORMS**  
N/A