

**Weill Cornell Medicine Policy:
Charging Direct Costs to Sponsored Projects**

Policy Sections

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Responsible College Officer
Financial Analysis Senior Director

Responsible Office
Research Accounting

Policy Statement

Weill Cornell Medicine (WCM) expects its faculty, staff and students, when dealing with federal and other sponsored funds, to follow Generally Accepted Accounting Principles (GAAP), comply with all government and sponsor rules and regulations and follow established standards for determining when it is appropriate to propose and, if approved, directly charge costs to sponsored projects.

Reason for Policy

As a recipient and steward of federal funds, WCM must comply with the standards set forth in the Uniform Guidance concerning the appropriate classification of costs as direct costs. This policy is based on interpretation of federal regulations; however, non-federal sponsors may permit different treatment of costs. Allowance of expenditures on non-federal sponsored projects is determined by a sponsor's terms and conditions.

Who Should Know This Policy

- Senior administration – vice provosts and associate deans
- Directors, department chairs and division heads
- Faculty
- Departmental/divisional administrators
- Finance personnel – research and accounting service members

Contacts

Subject	Contact	Phone	Email
Policy Questions	Edward C. Walsh	(646) 962-3632	ecwalsh@med.cornell.edu
Accounting Questions	Melissa Paray	(646) 962-3653	mep2005@med.cornell.edu

Applicable WCM Policies

- Cost Sharing Policy and Procedures
- Time and Effort Reporting Policy
- Travel and Business Expense Reimbursement Policy and Guidelines
- Procurement Card Program Policy and Procedures
- Cost Transfers on Sponsored Projects Policy

Applicable Federal Regulations & Criteria

The spending of any funds awarded by the federal government to WCM is governed by the Uniform Guidance published by the Office of Management and Budget (OMB)

The guiding principles from these federal regulations are summarized here as background for this policy.

General Cost Allowability Criteria

The principles of the Uniform Guidance govern costs that may be charged to or paid, even in part, by federal funds. The Uniform Guidance requires that all costs being charged to the federal government pass the following four tests:

- The cost must be **allowable** under both the provisions of the Uniform Guidance **and** under the terms of a specific award. (For those costs specifically designated under the Uniform Guidance as **unallowable** costs, please reference Appendix C).
- The cost must be **allocable**, able to be associated to a project with a high degree of accuracy.
- The cost must be **reasonable**, reflective of what a “prudent person” would pay in a like circumstance.
- The cost must be in **conformance** with limitations and exclusions as contained in the terms and conditions of award including those in cost principles. This varies by type of activity, type of recipient and other characteristics of individual awards.

Treatment of Specific Types of Costs

Generally, the costs of office supplies, local telephone costs (e.g., monthly equipment/line charges) and salaries and fringe benefits of administrative and clerical staff normally cannot be charged directly to sponsored projects. However, these costs may be included in a proposal budget if the intended use is for project-specific activities that are clearly justified in terms of their relevance to conducting research.

Examples of costs that may be charged directly to sponsored projects are costs that are required to

complete the specific and distinctive requirements of a particular sponsored project, including:

- Office supplies such as envelopes used to mail an unusually large number of research questionnaires or folders for filing survey responses and/or lab results.
- Local telephone costs required to conduct surveys, maintain contact with project activities conducted at remote locations or establish and maintain a hotline or crisis line that is specifically required by a project.
- Data communication and common infrastructure costs may only be charged directly to a sponsored project if it is approved by an agency *and* the charges are appropriate and solely benefiting the project and no other research or academic activities. The direct charging of these services must be specifically budgeted and justified in a grant application or contract proposal and be approved by the awarding agency. Note that approval from a sponsor does not necessarily indicate a charge is an allocable and allowable direct charge on a sponsored project.
- Postage for shipment of research materials and deliverables to perform a project's scope of work, correspondence with a sponsor and/or project participants or dissemination of surveys and/or materials produced as a result of project activities.
- Administrative and clerical salary that is not routine administrative work that benefits multiple activities of the unit. While the Uniform Guidance states that administrative and clerical salaries should normally be treated as indirect (F&A) costs, it also asserts that charging these costs directly may be appropriate if **all** of the following conditions are met:
 - The administrative or clerical services are **integral** to the project. Integral is defined as essential to the project's goals and objectives, rather than necessary for the overall operation of the institution.
 - The individuals involved can be specifically identified with the project or activity.
 - The salary cost must be explicitly included in the project award budget **or** have prior written approval from the federal awarding agency.
 - The costs must not also be recovered as indirect (F&A) costs.Interim direction issued by the NIH suggests that prior approval is not required to rebudget funds for administrative/clerical salaries if all other Uniform Guidance conditions are met. However, it is WCM's policy that, in order to mitigate the risk of cost disallowance at any phase of the project (active, close-out or post-project-audit), any attempts to charge administrative/clerical salaries directly must meet all four criteria outlined in the Uniform Guidance.

The following examples are illustrative of circumstances when the nature of work performed under a particular sponsored project is directly related to the technical substance of a project and may require extensive amounts of clerical or administrative effort. Direct charging of these expenses may be appropriate for:

- Individuals collecting data, conducting phone surveys, scheduling visits, preparing manuals and large reports or making travel and meeting arrangements for events such as conferences or seminars for large numbers of participants.
- Individual projects requiring project-specific database management, individualized graphs or manuscript preparation, human or animal protocol or other project-specific regulatory protocols or multiple-project-related investigator coordination and communication.
- Large, complex programs, including general clinical research centers, program projects and environmental or engineering research centers, as well as grants and contracts that

entail assembling and managing teams of investigators from a number of institutions. On an NIH program project grant, administrative/clerical effort is documented in the proposal as part of the scope of work, and is approved by the sponsor.

- The cost of malpractice insurance can only be charged directly to a sponsored project if it is required by the grant terms and conditions, for direct patient care reported through the central WCM Physician Organization billing system, as a component of the scope of work. In all cases, the financial analysis senior director must be contacted to review and approve this cost to ensure consistency in the allocation methodology.

Equipment Purchase

Generally, equipment purchases for either general purpose or special purpose items with a unit value of \$5,000 or greater must have the prior written approval of a federal awarding agency. Similar to the situation described above for administrative/clerical salaries, the NIH has supplemented the Uniform Guidance with interim direction that may allow a waiver of this pre-approval requirement. However, it is WCM's policy that, in order to mitigate the risk of cost disallowance at any phase of a project, any requests to charge equipment directly to a project must receive prior written approval from a federal awarding agency.

Any questions about allowability or charging of direct costs regarding these examples or other specific items should be directed to the Office of Research Accounting.

Roles & Responsibilities

Responsibilities	Principal Investigator	Department Administrator	Departmental or Divisional Chair	Finance	OSRA
Initiate non-salary purchases electronically	P	S			
Prepare single source justification for purchases (if necessary)	P	S			
Verify that expenditures meet UG requirements at the time they are requested	P				
Determine and set up payroll on grants with a Personnel Action Form	S	P		S	
Maintain local oversight for a project budget	P	S			
Initiate requests for rebudgeting and prepare documentation	P	S			
Review rebudgeting requests and either approve them or return them for issue resolution		I	O-L	P	P
Oversee (with respect to assurance) that budget items are in accordance with UG and cost accounting standards				I	P
Monitor grant transactions for appropriateness and adherence to federal, state and local regulations				P	

Key

P = Primary Responsibility
 S = Secondary Responsibility
 O-L = Local Oversight
 I = Input

Appendices

In support of this policy, the following appendices are included:

Appendix A - Acceptable and Unacceptable Direct Costs

Costs Typically Included as Direct Costs	Costs Typically NOT Included as Direct Costs
<ul style="list-style-type: none"> • Salaries and fringe benefits of programmatic personnel who are necessary to meet the goals of a project • Scientific and technical equipment (including software, supplies, maintenance agreements and services) • Long-distance telephone charges • Lab supplies • Services <ul style="list-style-type: none"> - Animal care - Consulting • Subcontracts • Travel 	<ul style="list-style-type: none"> • Salaries and fringe benefits of clerical and administrative personnel • Memberships • Subscriptions, library books, periodicals, etc. • Office supplies • General office equipment • Postage (for general business use) • Repair and maintenance (buildings, grounds, building equipment, remodeling, etc.) • Telephone costs (recurring, installation and maintenance), cell phones and pagers • Common infrastructure costs, including data communication connections • Utilities • Equipment insurance

Appendix B – Examples of Potential Direct Charging

Direct Cost?	Yes/No
Salary Expenses:	
<ul style="list-style-type: none"> • Processing purchase orders on a research grant (such as an R01) 	No
<ul style="list-style-type: none"> • Processing purchase orders on a center/program project grant (administrative effort documented in proposal as part of scope-of-work) 	Yes
<ul style="list-style-type: none"> • Proposal development (writing, editing, copying and mailing proposals) 	No
<ul style="list-style-type: none"> • Principal investigator effort to write an annual project report (which may include next budget year's proposal) 	Yes
<ul style="list-style-type: none"> • Data entry (data collected under project scope-of-work) 	Yes
<ul style="list-style-type: none"> • Data entry (financial transactions for a research grant entered into a financial shadow system) 	No

Supplies and/or Services:	
• Copying costs for purchase orders and monthly ledgers	No
• Copying costs for annual progress reports	Yes
• Mailing costs for shipment of research materials and deliverables if necessary to perform a project's scope of work	Yes
• Copying costs for forms to mail to survey recipients (surveys that are part of a project's scope of work)	Yes
• Personal computers	Yes
• Computer setup costs, common infrastructure costs, access fees, network usage and wireless services	Yes
• Office supplies for general office use	No
• Malpractice insurance costs (if required by grant terms and conditions) and direct patient care costs reported through the central billing system within scope-of-work	Yes

Appendix C - Examples of Unallowable Costs

Costs Specifically Designated as Unallowable Costs by the Uniform Guidance

- Advertising expenses, except for employee and subject recruitment
- Alcoholic beverages
- Contingency provision costs
- Certain defense and prosecution of criminal and civil proceedings
- Entertainment costs including social activities and related costs including tickets to events, meals, lodging, rental, transport and gratuities
- Goods and services for personal use
- Insurance against defective workmanship or materials
- Interest, fund raising and investment costs (excluding third-party interest expenses)
- Malpractice insurance that does not involve human subjects
- Membership in any civic or community organization as well as any country, social or dining club
- Public relations costs
- Selling and marketing costs of products and services
- Student activity costs including intramural activities, student publications, student clubs or other related costs
- Travel/subsistence costs of trustees
- Costs in support of alumni activities
- Bad debts from uncollectible accounts and related legal costs
- Commencement and convocation costs
- Fines and penalties for failure to comply with government laws and regulations
- Housing costs for officers of the institution including depreciation, maintenance, furnishings, utilities, rent, etc.
- Lobbying costs, including related costs of legislative liaison activities, attendance at legislative sessions and legislation effect information gathering and analysis

Appendix D - Definitions

Term	Definition
Allowable Costs	Costs that (a) are reasonable, (b) are allocable to sponsored projects under principles and methods outlined in the UG, (c) are given consistent treatment through application of generally accepted accounting principles appropriate to the circumstances and (d) conform to any limitation or exclusion of type or amount set forth in the UG or in a sponsored agreement
Cost Allocation	The process of assigning a cost, or group of costs, to a sponsored project or to a particular service or project in reasonable and realistic proportion to the benefit provided
Direct Costs	Costs that can be identified specifically with a particular sponsored project, primarily research, instruction or service, or that can be directly assigned to such activities relatively easily with a high degree of accuracy
Facilities and Administrative (F&A) Costs	Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity
Federal Unallowable Costs	Costs identified in the UG or by specific sponsored project terms and conditions as nonreimbursable by the federal government - this term supersedes the term "unrecoverable cost"
Reasonable Cost	A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, 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.
Sponsored Project	An externally funded activity that is separately budgeted and accounted for and governed by specific terms and conditions - sponsored projects must be separately budgeted and accounted for subject to terms of a sponsoring organization and may be funded by grants, contracts or cooperative agreements for research, instruction or public service.