



**Only Allowable Direct Costs May Be Charged on Federally Sponsored Project Proposals # 2320.065**

<b>INITIAL EFFECTIVE DATE:</b>	<b>LAST REVISION DATE:</b>	<b>RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT</b>
February 11, 2004	March 26, 2021	Office of Research and Economic Development

**POLICY STATEMENT**

Direct costs on federally funded projects, including Federal Flow Through, must be charged in accordance with federal regulations. Only costs that are allowable according to federal regulations may be directly charged to a sponsored project.

**SCOPE**

University Community (faculty, staff and students)

**REASON FOR POLICY**

To ensure compliance with federal regulations regarding financial management of sponsored projects; specifically the Uniform Guidance.

<b>DEFINITIONS</b>	
<b>TERM</b>	<b>DEFINITIONS</b>
F&A	Facilities and administrative charges (also referred to as “indirect costs”) on proposal budgets.
“Federal Flow Through”	refers to an award where federal funds are funded to the University, not directly by the federal sponsor, but indirectly through a third entity such as a state sponsor, another university or a private source.
ORED	“ORED” is the Florida International University Office of Research and Economic Development.
PI	“PI” is the principal investigator.

### ROLES AND RESPONSIBILITIES

**Project PI:** The project PI has the primary responsibility to ensure that the costs charged to a sponsored program are reasonable, allocable and allowable. The PI may not delegate this responsibility to others and must ensure that the programmatic and budgetary requirements of the project are carried out in accordance with the sponsor's guidelines, applicable laws and regulations of FIU. The Uniform Guidance provides guidelines on what charges may be directly charged to federally sponsored projects, what costs must be recovered from the F&A costs attributable to the project and what charges may not be directly charged.

**ORED:** ORED maintains policies and procedures on allowability of charges to sponsored projects and provides guidance to PIs in this area. Particular questions on allowability of charges should be directed to ORED.

### RELATED RESOURCES

ORED Policy #2350.001, Budget Modifications on Sponsored Projects

2 CFR § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

### CONTACTS

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### HISTORY

**Initial Effective Date:** Office of Sponsored Research Administration Faculty/Staff Guide for the Administration of Externally Funded Projects, INTERIM VERSION. Initial Effective Date: February 11, 2004

**Review Dates** (*review performed, no updates*): N/A

**Revision Dates** (*updates made to document*): March 7, 2012, January 8, 2018, March 9, 2018, July 1, 2018; March 26, 2021



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**PROCEDURE STATEMENT**

Only allowable direct costs may be charged to federally-funded projects in accordance with applicable federal regulations. For costs to be “allowable,” they must be:

- (a) **reasonable** A cost may be considered reasonable if the nature of the goods or services acquired, and the amount paid for them, 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; i.e., would a prudent person have purchased the item or services and paid the budgeted price for it? Only charges that are reasonable for the performance of the project may be directly charged.
- (b) **allocable to the sponsored agreement** i.e., it is incurred solely to advance the work under the sponsored agreement or it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods.
- (c) **given consistent treatment** through application of generally accepted accounting principles appropriate to the circumstances; i.e., expenses for similar purposes must be treated the same way (throughout the university) under like circumstances; and
- (d) **conform to any limitations** or exclusions set forth in the Uniform Guidance or in the sponsored agreement as to types or amounts of cost items; i.e., the expenses are allowable by federal regulations and by the particular sponsored research agreement.

**Notes Regarding Computer and Software Purchases**

The purchase of laptop and other computers is a direct allowable expense to a federally funded sponsored project only if specifically provided for in the award and approved budget where the nature of the research requires a computer. In such situations, the computer is used either exclusively or primarily for the project. The use of a computer to store non-sponsored project

information or for use outside of the lab or office where the research is conducted (except for field work) may put into question the allowability of the computer on a sponsored project.

Because a computer could potentially be used for many different activities (instruction, research or administration), it may not easily be assigned to any one of these activities. Thus, computer costs are normally a Facilities and Administrative (F&A) expense and are included in the University's F&A rate calculation. Nevertheless, the use of computers specifically for individual research projects in many cases can be justified as directly benefiting those awards. The purchase of laptops and other computers is allowable on sponsored projects in the following circumstances:

The purchase of laptop and other computers is an allowable expense as a direct charge to a federally funded sponsored project **only in specific situations** where the nature of the research requires a computer; e.g., the computer is attached to a piece of equipment and is required for collection and/or analysis of information/data for the sponsored project or the computer is specifically needed to record data while in the field. In order to maintain the allowability of computers charged directly to a federal award, the computer must be used primarily (at least 95%) on the award and the purchase cannot be prohibited/restricted by the sponsor. The PI must conform to any specific restrictions or approval requirements of the sponsor and must assure that the computer would not be purchased but for the sponsored project. If a computer is 100% funded from a federal sponsor, the computer should not be used for non-programmatic purposes on more than an incidental basis. Incidental use may never interfere with project use, is not to exceed a de minimis amount and is not to result in non-project files or data being stored on the computer. The computer may not be used for administrative support, such as purchasing and grant management, since these uses cannot be directly charged to a Federal award.

In addition, software and/or upgrades purchased on federal awards must be necessary for the conduct of the research and must also conform to the above requirements regardless of the computer on which they are installed. Note: A computer may be allocated to one or more sponsored projects unless the sponsor's terms and conditions prevent such an allocation (see below). Such an allocation requires that the computer be used primarily to conduct the research.

The PI must explain how the computer and/or software sought to be purchased directly benefits the project and how it is unlike a general purpose item and the documentation must be retained by PI for audit purposes. The lack of documentation could put into question the allowability of the purchase on the sponsored project.

The PI must ensure that any approved computer or software is purchased as early in the performance of the sponsored project as possible because any purchases which are done later in the project period may put into question the allowability of the purchase. Budget modifications to purchase computers or software will most likely not be permitted. Requests

for any budget modification must be done pursuant to ORED Policy #2350.001, Budget Modifications on Sponsored Projects.

### Documentation of Unlike Circumstances

In order to minimize disallowed costs through audit findings, personal computers and electronic devices with a unit cost of less than \$5,000 will not be allowed as an approved expenditure on research funds unless unlike circumstances have been documented. That is, the need has been included in the original proposal and completely justified as to the reason it is being included, the purpose and benefit to the project have been fully described, it has been made clear that the project will be negatively impacted by not purchasing the computer, and it has been approved by the sponsor.

To provide evidence of unlike circumstances, the Principal Investigator must document in the proposal that the use of the computer is beyond the normal and customary use and application of computers in the day-to-day operations of the laboratory, how the computer directly benefits the project and how it is different from similar items provided by the department or department that are treated as F&A costs. ORED must approve of the sufficiency of detail in the request. The lack of documentation could call into question the allowability of the purchase on the sponsored project. Once full documentation has been provided to the sponsor, the University will allow the direct expense to the chart string unless the sponsor has disapproved the request.

If the need for a personal computer or electronic device develops during the project and was not requested in the original budget, the PI must provide documentation of unlike circumstances to ORED for review and approval. The criteria described in the paragraph immediately above must be addressed when the request is made of ORED.

**As supplementary guidance**, excerpted below are policy statements regarding laptop computers from several federal agencies:

#### NSF Grant Policy Manual

General Purpose Equipment. Expenditures for general purpose equipment are unallowable unless the equipment is **primarily or exclusively** used in the actual conduct of the research.

General Purpose Equipment is permanent equipment that is usable for other than research, medical, scientific or technical activities, whether or not special modifications are needed to make it suitable for a particular purpose. Examples of general purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles and computer equipment.

#### NIH Grants Policy Statement

Direct Costs and Facilities and Administrative Costs



Project costs consist of the allowable direct costs **directly related to the performance of the grant** plus the allocable portion of the allowable F&A costs of the organization, less applicable credits (as described below and in the cost principles). A direct cost is any cost that can be **specifically identified** with a particular project, program, or activity or that can be directly assigned to such activities relatively easily and with a high degree of accuracy. Direct costs include, but are not limited to, salaries, travel, equipment, and supplies directly benefiting the grant-supported project or activity.