

# HOW TO EVALUATE A COST TO A FEDERALLY SPONSORED PROJECT AT UMASS AMHERST

These guidelines apply to charges on sponsored projects funded by Federal agencies. OMB Uniform Guidance (UG), effective December 26, 2014, governs the management of federally funded sponsored programs across the entire project. The Uniform Guidance streamlined requirements which superseded eight existing OMB Circulars, including OMB A-21 Cost Principles for Educational Institutions.

Our University implemented UG Cost Principles for new awards received on or after December 26, 2014. Modifications adding new funding to awards issued prior to that date also may have included a clause updating the terms of the award to fall under UG. Existing awards that did not receive incremental funding with new terms and conditions continued to be governed by terms and conditions of the original award. University policy and procedural changes implemented for UG including these updated guidelines should be applied to all federal awards. Please note: UG Cost principles are not applicable to fixed amount awards.

Our institution is responsible for classifying costs as either direct or indirect based on UG. If a cost is charged to federally sponsored project and is found to be unallowable per these guidelines, then please refer to the [University cost transfer policy](#) for proper accounting treatment. Unallowable costs cannot be included in the direct or indirect costs of a federally sponsored project.

UG is the first and foremost guidance to the federal agencies. Through the establishment of agency implementation plans, the UG became agency policy. Federal contracts, as opposed to Federal grants and cooperative agreements are subject to the [Federal Acquisition Regulation](#) (FAR), in addition to the UG.

When considering allowability, OMB provides factors which can be used to determine if a cost is allowable.

## A Cost Must Be:

- **Reasonable and necessary for the performance of the federal award.** A cost is reasonable when its nature and amount does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The cost is generally recognized as necessary if it allows for the proper and efficient performance of the federal award.
- **Allocable or assignable to a federal award in accordance with relative benefits received.** A cost is allocable if it can be incurred specifically and used solely by a project, benefit more than one project, or benefit a project and some other work at the University. Costs must be allocated to each benefited project based on proportional benefit or other reasonable documented basis such as time, effort, or square footage etc. For example: normal direct costs such as chemicals, gloves, flasks, and pipettes when benefiting two or more projects must be allocated to each project proportionally based on usage. Allocation methodologies must be documented and auditable when employed. How the allocation methodology is logically related to the cost being allocated must be demonstrated. This documentation must be retained by the PI and available for audit.
- **Consistent with policies and procedures that apply uniformly to both federally financed and other activities of UMass.** The cost must be consistent with University policies and procedures.
- **Conformant to any limitations or exclusions set forth in the cost principles or in the federal award as to types or amount of cost items.** A cost must conform to the conditions of the sponsored agreement and not be prohibited by law, regulation, or term of an award.
- **Accorded consistent treatment as direct or indirect by University accounting practices.** It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or indirect cost in order to avoid possible double charging of federal awards. **In rare circumstances, costs which are normally treated as indirect may be directly charged to a sponsored project when a proper justification and prior approval is obtained.** Prior approval by the sponsor is necessary when reasonableness and allocability of a cost may be difficult to determine and/or specifically required by OMB. A proper justification will explain an unlike or unusual circumstance when costs are above the normal level needed for a project. The [Federal Costing Exception Form](#) can be used to document a proper justification and approval by the Controller's Office.

These University guidelines can be used to determine if a cost is allowable per OMB and for the proper treatment as direct or indirect per University accounting standards. **Note: Direct costs can be identified specifically with a federal award and can be assigned to activities under the award relatively easily with a high degree of accuracy.** Direct costs are those for activities or services that benefit specific projects, e.g., salaries for project staff or materials required for a particular project. Because these activities are easily traced to projects, their costs are usually charged to projects on an item-by-item basis. **Indirect costs are those for activities or services that benefit more than one project and are difficult or impossible to allocate to a specific project.**

Miscellaneous supplies such as administrative supplies purchased in bulk such as pens, pencils, and paper items are normally treated as indirect costs. Also, costs such as heat, electricity, and administrative staffing are considered indirect. If the cost is allowable, determine if it should be treated as a direct or indirect cost based on similar or related items of cost. When in doubt, contact your [Research Accountant](#) or Denise Storm [dstorm@admin.umass.edu](mailto:dstorm@admin.umass.edu).

## Classification of Costs-University Guidelines for Direct and Indirect Charges

Failure to mention a cost in these University Guidelines does not imply that a cost is allowable or unallowable. All allowability criteria (reasonable, allocable, conformant and consistent treatment) must be considered for any cost to be allowable. **All direct costs must be identified specifically with a federal award.** Costs which are normally treated as indirect costs must meet all OMB criteria for allowability and be properly documented with a justification that demonstrates an unlike circumstance to support the cost as a direct charge. Federal sponsors in their review of costs incurred can choose to disallow costs that are not adequately supported by proper allocation, item allocability and documentation. Responsibility for any disallowed costs resides at the PI Department/School level.

Item of Cost	Description of Typical Expenses	University Classification-Direct Cost	University Classification-Indirect Cost
<b>Administrative and Clerical Salaries</b>	Administrative and clerical salaries are normally indirect unless the need is integral to a project's objectives.		X
	Administrative and clerical salaries which are integral to a project's objectives; individuals involved can be specifically identified with the project; costs are explicitly included in the budget or prior written approval of the awarding agency is obtained.	X **Must be specifically budgeted as a line item in the proposal budget with duties discussed in the justification section. 25% FTE is the minimum threshold for charging administrative and clerical salaries.	
<b>Advertising and Public Relations</b>	Advertising and Public Relations to promote our institution and not specifically required by a federal award.	Unallowable	Unallowable
	Advertising necessary to meet the requirements of the sponsored agreements and solely for recruiting personnel, research subjects, or to procure goods and services. Public relation costs necessary to meet the requirements of the sponsored agreement such as costs of communicating with the public and press as a part of outreach efforts.	X	
<b>Alcohol</b>	Alcoholic Beverages	Unallowable	Unallowable
	Alcohol used as chemical reagent for research.	X	

Item of Cost	Description of Typical Expenses	University Classification-Direct Cost	University Classification-Indirect Cost
<b>Books and Journals</b>	Books and journals should be provided as a part of normal library services and treated as indirect. General or reference texts and books used to keep up with field of research are unallowable.		X
	Books which are not available from the library and can be associated with a sponsored project with a high degree of accuracy. Books associated with a specific research technique or aspect of the research project that will introduce efficiencies to the research. Manuals for software or equipment used in research.	X	
<b>Communication Costs</b>	Local telephone costs, cell phones and use, pagers, and network charges are normally indirect unless dedicated lines are required for large data transmissions with collaborators.		X
	Documented long distance phone calls, field work phones used for project specific communications are direct costs.	X	
<b>Compensation for Personal Services and Fringe Benefits</b>	Salaries and related fringe benefits of faculty, research associates, students, and other technical personnel that are of direct benefit to the sponsored project's scientific work during the period of performance under the award. (Also, see administrative and clerical salaries).	X **Prior agency written approval is required. Allowable compensation for certain employees is subject to a ceiling in accordance with statute.	
<b>Donations and Contributions</b>		Unallowable	Unallowable
<b>Entertainment Costs</b>	Costs incurred for amusement, diversion and social activities	Unallowable	Unallowable
	Entertainment cost specific to the research and has a programmatic purpose.	X **Prior agency written approval is required. Budget justification must explain programmatic purpose.	

Item of Cost	Description of Typical Expenses	University Classification-Direct Cost	University Classification-Indirect Cost
<b>Equipment and other Capital Expenditures with an Acquisition Cost of \$5,000 or More</b>	Equipment and capital expenditures which are general purpose, not limited to research, medical, scientific or other technical activities. Office equipment, air conditioning, printing equipment and motor vehicles. Parts and supplies for this equipment also unallowable.	Unallowable	Unallowable
	Special purpose equipment and capital expenditures used only for research, medical, scientific, or other technical activities. Examples are: centrifuges, spectrometers, microscopes, and computers. Must be charged in the period in which the expenditure is incurred, or as otherwise determined as appropriate with the federal agency. Parts and supplies related to special purpose equipment also allowable.	X **Prior agency written approval is required.	
<b>Exchange Rates</b>	Cost increases for fluctuations in exchange rates are allowable costs subject to the availability of funding, and prior approval by the federal awarding agency.	X **Prior agency written approval is required. The institution must review local currency gains to determine the need for additional funding before the expiration date of the award.	
<b>Food and Beverage Costs</b>	Cost of meals or meal per diems for employee in approved travel status on official university business. (Also, see alcohol, entertainment, and travel).	X **Prior agency written approval is required for travel.	
**Documentation should show that costs were associated with a bonafide technical conference or meeting.	Food and Beverage which is necessary to accomplish the objectives of the grant program. For example, an all-day meeting of collaborators on a program project where technical information closely related to the project is shared. Lunch interview to recruit a post doc (subject to a well-managed recruitment program). (Also, see alcohol, entertainment, and travel).	X **Document why the food is necessary and attach an agenda and attendees list including participants from other locations. The cost of any meal must meet a test of reasonableness.	

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<b>Food and Beverage Costs</b>	Food and beverage costs which are not necessary to accomplish the objectives of the grant program. Examples are receptions, hospitality rooms, food and beverage during regular lab meetings, lunch for students during a local research activity, food and beverage provided during administrative activities) (Also, see alcohol, entertainment and travel).	Unallowable	Unallowable
<b>Goods or Services for Personal Use</b>	Costs of goods or services which are not essential and allocable to a project. Costs for personal use of Institutions' employees regardless of whether the cost is reported as taxable income.	Unallowable	Unallowable
<b>Lab Coats and Laundering of Lab Coats</b>	While lab coats and laundering of lab coats are essential for safety in a lab, these costs should normally be treated as indirect. It is too time consuming to correctly allocate to projects and activities under a grant.	**Only costs which can be identified with a final cost objective or assigned to activities relatively easily with a high degree of accuracy are direct costs.	X
<b>Materials and Supplies (Consumable Research Supplies)</b>	<b>Consumable research supplies</b> are used in the conduct of research project(s) and specifically identifiable with the research. Examples are field supplies, chemicals, gasses, radioactive material, glassware, vials, pipettes and tips, test tubes, thermometers, bound notebooks and binders used to collect data.	X **If used for more than one project, costs must be allocated. Documented allocation method must be retained.	

Item of Cost	Description of Typical Expenses	University Classification-Direct Cost	University Classification-Indirect Cost
<b>Materials and Supplies (Administrative Supplies)</b>	<b>Administrative supplies</b> which are typically used to support multiple activities of project personnel for administrative and lab purposes. Examples are stationary, pens, tablets, file folders, staplers and staples, paper clips, writing utensils, markers, post it notes, rubber bands, binder clips, scotch tape and tape dispensers, copy paper, toners and ink.		X
<b>Materials and Supplies (Computing Devices)</b>	<b>Computing Devices</b> (computers, monitors, printers, back-up drives under \$5,000) are direct costs when essential and allocable to the sponsored project. Devices do not need to be solely dedicated. Computing devices with an acquisition cost of \$5000 or more -See Equipment.	X **Computing devices should be itemized in the proposal budget and the use of the devices must be explained in the justification. Evidence of essentialness and allocability must be documented and maintained. The PI is required to evaluate and ensure that the project does not have reasonable access to other devices that can achieve the same purpose.	
<b>Materials and Supplies (Software)</b>	<b>Software</b> which is specific for laboratory data acquisition (non-standard, i.e. statistical)	X	
<b>Materials and Supplies (Cleaning Supplies)</b>	General use <b>cleaning supplies</b> used to support multiple activities of project personnel and not specifically identifiable or easily allocated to a particular project. Examples are; paper towels, hand soap, lab soap, and bleach.		X
<b>Memberships, Subscriptions, and Professional Activity Costs</b>	Institutional membership in business, technical or professional organizations. Subscriptions to business, professional, and technical periodicals.		X

Item of Cost	Description of Typical Expenses	University Classification-Direct Cost	University Classification-Indirect Cost
<b>Memberships, Subscriptions, and Professional Activity Costs</b>	Membership required for obtaining a specific journal or periodical directly related to the project. Membership is required to attend a conference. Membership is required to receive reduced registration fees or other associated costs for the conference (cost must be greater than or equal to membership cost).	X	
	Membership to a country club or social or dining club. Membership in any civic or community organization. Membership in any organization whose primary purpose is lobbying.	Unallowable	Unallowable
<b>Participant Support Costs</b>	Stipends or subsistence allowances, participant travel and registration fees in connection with conferences or training projects for participants (but not employees). Supplies such as material kits, demonstration supplies, or research materials. (Also, see food and beverage costs).	X **Prior agency written approval required. Incentives, gifts, souvenirs, t-shirts and memorabilia must be explained in the budget justification.	
<b>Postage and Mailing</b>	General postage services, mailing of proposals and progress reports		X
	Express service needed for transportation costs of project materials or reports in a non-routine manner	X	
<b>Publication and Printing Costs</b>	Printing and Publication costs which are identifiable with a sponsored project. To produce bound manuals or print project related manuscripts and reports, research subject recruitment. Printing costs associated with proposals are indirect.	X ** Per the UG, these costs can be incurred outside the period of award before closeout. Costs must be charged within 90 days of termination. Costs for publication and printing should be specified in the budget and the justification should include explanation of why costs will be incurred post award.	

Item of Cost	Description of Typical Expenses	University Classification-Direct Cost	University Classification-Indirect Cost
<b>Recruitment and Relocation/Moving Costs</b>	Costs to maintain an adequate staff in keeping with workload requirements. Costs include help-wanted advertising, travel costs of employees and applicants during recruitment process, as well as relocation costs incident to recruitment of a new employee are allowable to the extent that costs are incurred pursuant to a well-managed recruitment program. (Also, see visa costs).	X Per OMG Guidance, relocation costs are costs incident to the permanent change of duty assignment of not less than 12 months.	
<b>Student Activity Costs</b>	Costs for intramural activities, student publications, student clubs and other student activities unless provided for in the sponsored agreement are unallowable	Unallowable	Unallowable
<b>Taxes (including VAT)</b>	In general, taxes (gas, motor vehicle, VAT) which the institution is required to pay and that is paid or accrued in accordance with generally accepted accounting principles are allowable except taxes from which exemptions are available. Any refunds or credits resulting from the payment of taxes must be credited to the awarding agency.	X	
<b>Travel Costs</b>	Employees who are in travel status on official business in order to carry out the objectives of the sponsored project. Participation is necessary and cost is consistent with travel policy and <a href="#">"Fly America" requirements</a> .	X **prior agency written approval required for travel.	
<b>Visa Costs for Recruitment</b>	Short term visa costs (travel visas) are generally allowable since they are issued for a specific period of time and purpose. When travel is directly connected to work performed on a federal award. Cost must be critical and necessary, allowable under the applicable cost principles and consistently treated.	X ** Documentation supporting this cost must be maintained to show that these costs are clearly identified as directly connected to work performed on a federal project.	