

Extramural Award Cost Guidelines

I. Purpose

To define allowable, reasonable and allocable costs, and to provide guidance for implementation of sound cost principles to ensure that only allowable, reasonable and allocable costs are charged to extramural awards.

II. Definitions

Allocable Costs – Costs that are chargeable or assignable to a particular objective in accordance with relative benefits received or other equitable relationship.

Allowable Costs – Direct Costs which can be charged directly to an award in accordance with the approved budget and award terms and conditions, and Indirect Costs which are assessed based on the approved indirect cost rate (IDC rate).

Direct Costs – Costs that can be identified specifically with a particular final cost objective or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Indirect Costs – Costs that are incurred for multiple or shared projects, functions or activities and thus cannot be readily and accurately identified with a specific project. Indirect Costs are classified within two broad categories: “Facilities” and “Administrative”. In this context, “Facilities” is defined as depreciation and interest on debt associated with certain buildings, equipment and capital improvements and operations and maintenance expenses, and “Administrative” is defined as general administration and general expenses such as director’s office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of “Facilities”. Refer to Attachment 1 for examples of Facilities and Administrative Costs.

Reasonable Costs – Costs for which both the nature and amount of the goods or services acquired or applied are consistent with what a reasonable person would incur in the conduct of such activity or objective under the same or similar circumstances.

Unallowable Costs – Costs that should not be charged to a sponsored project as either a Direct Cost or Indirect Cost because they are not allowed under federal cost principles, University of Hawai’i (UH) policies and procedures, the approved budget or award terms and conditions.

III. Administrative Procedure

A. Objective

To implement Uniform Guidance Subpart E – Cost Principles (2 CFR §200.400 – 200.475) which governs the application of costs charged to federal awards. UH applies these cost principles to all extramural awards regardless of the source of funding, unless applicable laws, rules, regulation or award terms and conditions require otherwise

B. Applicability

1. Basic cost principles
 - a. An actual cost was incurred for the goods or services received.
 - b. Costs incurred are allowable based on applicable laws, regulations, University policy and procedures and award terms and conditions.
 - c. The goods or services are reasonable with regards to both its nature (necessary for the award) and price (the amount that a reasonable person would pay in like circumstances).
 - d. The goods or services are either directly or indirectly allocable (assignable) to the award based on an equitable method that reflects the benefits received.
 - e. Costs should be treated consistently as either a Direct Cost or Indirect Cost under like circumstances.

2. Costs that benefit multiple projects
 - a. If a Direct Cost benefits more than one project, the cost should be allocated to each of the projects based on the benefit received or some other reasonable means.
 - b. If the goods or services benefit multiple projects and there is no reasonable means to identify its direct benefit, the cost must be treated as an Indirect Cost and captured in UH's IDC rate.

3. Unacceptable Direct Cost charging practices
 - a. Direct charging of indirect type costs.
 - b. Transferring expenses from one project to another for the purpose of expending residual balances.
 - c. Charging costs to a cost reimbursable award in order to maintain residual balances on fixed price awards.

4. Special circumstances

While similar costs incurred in like circumstances should be consistently treated, costs that are normally classified as an Indirect Cost may be charged as a Direct Cost if **all** the following are met:

 - a. Resources required for a project are beyond those normally expected for an extramural project;
 - b. Costs can be clearly assigned to the extramural project with a high degree of accuracy; and
 - c. For significant items, prior sponsor approval has been obtained.

5. A table of common types of costs incurred on extramural awards and the typical treatment as Direct Costs or Indirect Costs are included in Attachment 2 (Common Costs Incurred on Extramural Awards) and Attachment 3 (Selected Items of Cost: Direct v. Indirect).

Examples of Facilities and Administrative Costs

Goods or Services
Accounting and Payroll
Administration – System, Campus, College, Department
Animal and Veterinary Services
Animal Welfare
Biological Safety
Capital Improvements
Custodial Services
Environmental Health and Safety
Equal Employment Opportunity/Affirmative Action (EEO/AA)
Export Controls
Facilities and Space Usage
Graduate Education
Human Resources (e.g. RCUH, Office of Human Resources)
Human Studies
Information Security
Information Technology
Library Services
Maintenance
Procurement and Disbursing (e.g. RCUH)
Publications and Subscriptions (selected)
Research Integrity Program
Responsible Conduct of Research
Risk Management
Security
Sponsored Projects Office (e.g. Office of Research Services)
Stockrooms
Technology Transfer Office
Title IX
Transportation Costs
Utilities

Common Costs Incurred on Extramural Awards

Item of Cost	Allowability	Direct(D) / Indirect (I)	2 CFR 200 reference	RCUH / UH (AP)
Advertising and public relations	CA	D	200.421	
Advisory councils	CA	D	200.422	
Alcoholic beverages	U		200.423	AP 8.265
Alumni/ae activities	U		200.424	
Audit services	CA	D/I	200.425	AP 8.230, 8.245
Bad debts	U		200.426	AP 12.412
Bonding costs	A	D/I	200.427	AP 8.245
Collections of improper payments	A	D/I	200.428	
Commencement and convocation	CA	I	200.429	
Compensation - personal services	CA	D/I	200.430	RCUH3.300, AP 9.205, 9.210, 12.408
Compensation - fringe benefits	CA	D/I	200.431	RCUH 3.500, AP 9.205, 9.210
Computing devices – laptops, tablets, smart phones	CA	D		AP 8.509
Conferences	CA	D	200.432	AP 8.265
Contingency provisions	CA	D	200.428	
Contributions and donations	U		200.434	AP 8.225
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	CA	D	200.435	AP 8.230, 8.245
Depreciation	CA	I	200.436	AP 8.550
Employee health and welfare costs	A	D	200.437	AP 9.690, 9.775
Entertainment	U		200.438	
Fines, penalties, damages and other settlements	CA	D	200.441	AP 8.225

A = generally allowable

CA= conditionally allowable

U = generally unallowable

Note: Per RCUH 2.001 Overview – “When a transaction is processed through the RCUH, the UH APMs or sponsored agreements shall apply where RCUH Procurement & Disbursing policies are silent.” See also RCUH 2.003 Roles and Responsibilities for designated responsibilities of the PI & Project, FA and RCUH, UH AP 8.200 Overview, AP 8.220 General Principles and 8.290 Requirements of Federally Funded Purchases.

Common Costs Incurred on Extramural Awards

Fund raising and investment management costs	U		200.442	AP 8.375
Gains and losses on disposition of depreciable assets	A	D	200.443	AP 8.543
Goods or services for personal use	U		200.445	AP 8.225
Idle facilities & idle capacity	CA	D	200.446	
Insurance and indemnification	CA	D	200.447	AP 8.265
Intellectual property	CA	D	200.448	
Interest	CA	D	200.449	
Leis	CA	D		AP 8.265
Lobbying	U		200.450	
Losses on other awards or contracts	U		200.451	
Maintenance and repair costs	CA	D	200.452	AP 8.265
Materials and supplies costs, including costs of computing devices (essential and allocable but not solely dedicated)	A	D	200.453	AP 8.265, 8.509
Meals and Refreshments	CA	D	200.432	AP 8.265
Memberships, subscriptions, and professional activity costs	CA	D	200.454	AP 8.225, 8.265
Organization costs	U		200.455	
Participant support costs	A	D	200.456	
Plant and security costs	A	D	200.457	AP 8.265
Pre-award costs	CA	D/I	200.458	
Professional service costs	CA	D	200.459	RCUH 2.210, 2.204, AP 8.230, AP 8.245, AP 8.246
Proposal costs	CA	I	200.460	
Publication and printing costs	A	D/I	200.461	AP 8.265
Rearrangement and reconversion	A	D/I	200.462	AP 8.265, 8.281
Recruiting costs	CA	D	200.463	AP 9.540
Relocation costs of employees	CA	D	200.464	AP 8.863

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Common Costs Incurred on Extramural Awards

Rental costs of real property and equipment	CA	D	200.465	RCUH 2.211, AP 8.265
Scholarships and student aid costs	A	D	200.466	RP 6.2xx, EP 6.2xx
Selling and marketing costs	CA	D	200.467	
Specialized service facilities	A	D/I	200.468	AP 12.204
Student activity costs	CA	D	200.469	RP 7.2xx, EP 6.2xx
Taxes	CA	D/I	200.470	
Termination costs	CA	D	200.471	
Training and education costs	A	D	200.472	
Transportation costs	CA	D/I	200.473	AP 8.852
Travel	CA	D	200.474	RCUH 2.600, AP 8.265, 8.851, 8.852
Trustees	A	I	200.475	

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Selected Items of Cost: Direct v. Indirect

SF-424 Budget Category	Direct	Normally Indirect
Personnel Fringe benefits	Salaries and fringe benefits of <ul style="list-style-type: none"> • Technical staff 	Salaries and fringe benefits of <ul style="list-style-type: none"> • Faculty (including department heads) and other professional personnel conducting research and/or instruction that is attributable to administrative work (including bid and proposal preparation) • Administrative officers and assistants • Secretarial and clerical staff
Travel	Travel costs of technical staff	Travel costs of administrative staff
Equipment	Special purpose equipment (prior approval)	Special purpose equipment
Supplies	<ul style="list-style-type: none"> • Materials, supplies, and fabricated parts necessary to carry out a federal award • Computing devices that are essential and allocable, but not solely dedicated, to the performance of a federal award 	Office supplies
Contractual	Professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-federal entity	
Construction	Special arrangements and alterations costs incurred specifically for a federal award (prior approval)	Arrangement and alteration costs
Other	<ul style="list-style-type: none"> • Long distance charges • Animals • Animal care costs • Computer costs • Recharge center costs • Participant support costs (prior approval) • Publication and printing costs 	<ul style="list-style-type: none"> • Postage • Local telephone costs • Memberships in business, technical, and professional organizations

Selected Items of Cost: Direct v. Indirect

Personnel Costs

Technical staff refers to University of Hawai'i (UH) employees or employees hired through the Research Corporation of the University of Hawai'i (RCUH) who perform research, instruction or other programmatic work on an extramurally funded project. These positions include faculty, researchers, research associates, educational specialists, technicians, postdocs that are paid salaries, and graduate assistants.

Costs of administrative staff such as fiscal administrators, personnel officers, secretaries, clerks, and administrative assistants are normally recovered through the facilities & administrative (F&A) rates (i.e., indirect costs). Thus, they should not normally be charged as direct costs to federally funded projects.

Under 2 CFR 200 (Uniform Guidance), administrative staff may be charged as direct costs provided that all of the following four criteria are met:

- Administrative or clerical services are "integral" (essential, vital or fundamental) to the project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have prior written approval; and
- The costs are not also recovered as indirect costs.

If it is determined that all of the above criteria are met, the principal investigator (PI) should add a justification statement to the proposed budget to facilitate the required sponsor approval.

Please note that the Uniform Guidance Compliance Supplement still uses the OMB Circular A-21 Major Project examples to illustrate situations in which it may be appropriate to directly charge administrative staff to a federally funded project. The examples are as follows:

- Large, complex programs such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
- Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting (such as epidemiological studies, clinical trials, and retrospective clinical records studies).
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).
- Projects that are geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research fields sites that are remote from campus.
- Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications.

Selected Items of Cost: Direct v. Indirect

Based on the above examples, the nature of the project remains the basis for direct charging. As a result, prior guidance still stands that “lack of departmental administrative support” is not sufficient justification for direct charging administrative support to federally funded projects.

Extra Service Pay for Faculty*On-duty period pay*

Under the Uniform Guidance, all faculty are ineligible for extra service pay, or overload, during the academic year (On Duty Period). Inter-departmental consultation performed by the faculty or other professional staff is considered routine work requiring no additional compensation by the federal government. If the faculty or professional staff wish to be compensated, the federal government expects that a proportionate share of the individual’s institutional base salary (IBS) be charged for services performed during the On-Duty Period.

Off-duty period pay

Nine-month faculty who do not earn vacation are eligible for up to three months of summer salary that can be charged to an extramurally funded project. However, faculty should be aware that some sponsors may limit the number of months of summer salary that can be paid for with sponsor funds.

Eleven-month faculty that do not earn vacation are eligible for one month of off-duty pay that can be charged to an extramurally funded project.

Eleven-month faculty that earn vacation are not eligible for one month of off-duty pay because the federal government considers them to be twelve-month employees. To be eligible for one month of off-duty pay, the faculty member must elect to forego vacation accrual in accordance with a Memorandum of Understanding (MOU) between the faculty union and UH. The original MOU resulted from an audit finding that was resolved between the US Department of Health and Human Services and UH.

Travel Costs

Travel costs are one of the budget categories where the Uniform Guidance follows institutional policies to some extent.

While the Uniform Guidance travel section provides for dependent travel costs under certain circumstances, one of the requirements is that the institution must accept it as an institution-wide policy (i.e., applies to all source of funds). Since UH has not, dependent travel costs are not allowed on UH’s federally funded projects.

In budgeting for travel costs on an extramurally funded project, the PI should also conform to the UH allowable and unallowable travel costs guidance. Auditors will refer to this guidance for conformance before considering the federal General Services Administration (GSA) travel policies.

https://www.hawaii.edu/etravel/faq_expenseList.html

Equipment

Special purpose equipment is defined under the Uniform Guidance as “equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.”

Selected Items of Cost: Direct v. Indirect

There are circumstances where non-research, non-medical or non-scientific equipment could be charged directly to extramurally funded projects. For example, UH may receive an award to outfit a learning center with furniture and computer equipment. Generally, in such cases, the sponsor has relaxed its guidelines to permit costs that are normally indirect costs to be charged as direct costs.

Office Supplies, Postage, Local Telephone Costs, and Computing Devices*Major project exceptions*

Like administrative staff salaries, there are circumstances in which costs such as office supplies, postage and local telephone costs can be charged directly to extramurally funded projects. The examples are as follows:

- An extramurally funded project is collecting data through a mass mail survey. If the survey packets are generated in-house, the office supplies consumed in preparing them can be directly charged to the project as well as the postage to mail the surveys.
- One of the tasks under an extramurally funded project is to set up and monitor hotlines in the place of performance. The installation costs and the monthly charges for the local telephone call center can be directly charged to the project.

Computing devices

Computing devices such as laptops, netbooks, smart phones, and tablet computers are allowable as direct charges provided that they are essential and allocable, even though not solely dedicated, to the performance of a federal award. Prior federal audit findings suggest that documentation and justification that such devices are, in fact, essential to the performance of the federal award are critical to supporting the direct charging of such costs.

Other*Computer costs*

This cost type is not to be confused with computing devices. This refers to purchasing processing time and/or storage space from high-performance computing systems

Participant support costs

Participant support costs are allowable with prior approval on conferences or training projects. Participants are non-employees that are trainees or otherwise directly benefit from the learning experience within the context of the extramurally funded project.

Publication and printing costs

The Uniform Guidance recognizes that publication costs can be incurred outside the period of performance of the award. However, be aware that the costs must be charged to the award before closeout of the award.