

# WELLESLEY COLLEGE

## FINANCE AND ADMINISTRATION

### **Policy and Procedures on Charging Direct Costs to Sponsored Awards**

The purpose of this policy is to provide the institutional standards for determining how direct costs are budgeted in proposals and charged to grants, contracts, and other sponsored awards. *This policy is approved by the Vice President for Finance and Administration to be effective on August 1, 2017.*

#### Definitions

##### ***Direct Costs***

Direct costs are those costs that can be directly assigned to a particular project, an instructional activity, or any other institutional activity with a high degree of accuracy. Typical costs charged directly to a sponsored project may include but are not limited to: compensation of employees working on the project; employee benefits; supplies and equipment used solely in the performance of the project; travel; subaward costs; service center charges; and human subject fees.

##### ***Indirect Costs***

Indirect costs are those costs that cannot be directly assigned to a particular project, an instructional activity, or any other institutional activity with a high degree of accuracy. Typical costs may include but are not limited to: building utility costs, building and equipment depreciation, compensation of central administrative employees such as those working in Sponsored Programs or Human Resources, Department Administrators.

##### **Allowable Uniform Guidance §200.403**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles
2. Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amounts of cost items.
3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
5. Be determined in accordance with general accepted accounting principles (GAAP)
6. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or prior period.
7. Be adequately documented.

##### **Allocable Uniform Guidance §200.405**

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

##### **Reasonable Uniform Guidance §200.404**

A cost is reasonable if, in its nature and amount, it 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.

### **Policy**

Our direct charge policy follows the Office of Management and Budget (OMB) Uniform Guidance for any Notice of Award issued to Wellesley College on or after December 26, 2014. Any awards issued prior to this date will follow OMB Circular A-21: Cost Principles for Educational Institutions and OMB Circular A-133. Notices of awards issued to Wellesley College after December 26, 2014 will state in the Terms and Conditions section whether the award is subject to Uniform Guidance.

Direct costs are those costs that can be identified specifically with a particular Sponsored Award or that can be directly assigned to multiple Sponsored Awards relatively easily with a high degree of accuracy. Each cost must follow Federal guidelines and be: Allowable, Allocable, Reasonable, and Consistently Treated as defined above. Wellesley College treats all like costs the same, whether they are benefitting a federal award or a non-federal funding source. There are certain expenses that may be unallowable as



direct charges to federal awards that certain non-federal sponsors consider allowable. The terms and conditions of the specific award and / or the guidelines of the individual non-federal sponsor will prevail. In the absence of clear guidance from the individual sponsor, Wellesley College will follow Uniform Guidance allowability rules as described in this policy.

#### A. Allowable Costs

Typical allowable direct costs include:

- Salaries and Wages
- Fringe Benefits
- Subawards
- Lab Supplies
- Equipment
- Participant Support Costs

#### B. Unallowable Costs

Not all charges are allowable on Federal awards. Typical unallowable charges include:

- Alcohol
- Alumni/ae Activities
- Audit Services
- Bad Debt
- Lobbying

For a full listing of allowable and unallowable costs, please refer to Uniform Guidance §200.420 – §200.475.

#### C. Specific Items of Cost

The OMB Uniform Guidance includes updated language to reflect the treatment of Administrative and Clerical Staff Salary; Materials and Supplies; and Computing Devices as follows below:

##### 1. Administrative and Clerical Staff Salaries

Generally these costs should not be direct charged to federal awards, however, per Uniform Guidance §200.413 (c), direct charging of Administrative and Clerical Staff Salary may occur if all of the following conditions are met:

- Administrative or clerical services are integral (20% or 1 day per week) to a project or activity;
- Individuals involved can be specifically identified with the project or activity;

- Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
- The costs are not also recovered as indirect costs.

Please contact the Office of Sponsored Research for assistance in determining whether it is appropriate to budget for and charge such costs on a specific sponsored project.

## 2. Materials and Supplies

1. **Supplies:** Per Uniform Guidance §200.314, If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, Wellesley College must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal Government for its share.
2. **Computing Devices:** Per Uniform Guidance §200.453, in the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award. Computing devices (laptop and desktop computers), defined as supplies when the cost is less than the College's capitalization threshold of \$5,000, are subject to the less burdensome administrative requirements of supplies as opposed to equipment which are those items with an acquisition cost greater than \$5,000. Computing devices may be direct charged to a project or activity under the following circumstances:
  - The machines are essential and allocable to the project in that they are necessary to acquire, store, analyze, process, and publish data and other information electronically, including accessories for printing, transmitting and receiving, or storing electronic information.
  - The project does not have reasonable access to other devices or equipment that can achieve the same purpose. Devices may not be purchased for reasons of convenience or preference.

Principal Investigators are responsible for determining whether or not the device is essential and to what extent the cost of the device is allocable to the sponsored project. PIs and departments should maintain documentation that describes how the proposed computing device meets the above requirements.

3. **Participant Support Costs:**  
Per Uniform Guidance §200.456, Participant Support costs are allowable with the prior approval of the Federal awarding agency. These costs are defined under §200.75 as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.

Participant support costs are not routinely allowed on research projects but can be charged if the project includes an education or outreach component and the agency approves such costs.

## 3. Equipment:

Per Uniform Guidance §200.313, title to equipment will rest with Wellesley College upon acquisition.