



Grants Charging Expenses

This policy defines expenses that are allowable, how expenses should be charged to sponsored projects and explains the difference between direct costs and indirect costs.

Applicable Federal Regulations:

According to OMB Circular A-21, Cost Principles for Education Institutions

http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a21.pdf

All charges must pass the following four tests:

- **Reasonable.** They are recognized as necessary for the operation of the institution or the performance of the agreement. The nature of the commodities or services acquired or applied, and the amounts involved 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.
- **Allocable.** They must be incurred solely to advance the work under a sponsored project; it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; or it is necessary to the overall operation of the institution and, in light of the principles provided in Circular A-21, is deemed to be assignable in part to sponsored projects.
- **Allowable.** The charges must not be designated as “unallowable” under Section J of OMB Circular A-21, and must adhere to agency-specific policies, terms and conditions regarding specific items of cost, and other college policies.
- **Consistent.** Costs incurred for the same purpose, in like circumstances, should be treated consistently as either direct or indirect costs of sponsored programs. This means that any cost, including salaries and wages, lab and office supplies, and services, all departments across the college must treat that cost in the same manner.

Implementation

This policy outlines how expenditures should be budgeted, charged and consistently applied to sponsored projects in order to meet external regulations.

The PI is responsible for reviewing, approving and charging all **direct costs** to his/her sponsored project.

The DOF Budget Manager is responsible for reviewing all purchases, all expenditures and notifying the PO of any inappropriate charges which must then be corrected. (see Budget and Expenditure Monitoring Policy)

Grants Charging Expenses

The Budget Manager is responsible for setting up the budget accounts for each project and identifying the dollar amount of the indirects budgeted for each project.

The Assistant Controller is responsible as a second check to ensure there is enough funding for the expenditure.

Allowable Direct Costs

Cost standards are set in OMB (Office of Management and Budget) Circular A-21. For a cost to be allowable and chargeable to a sponsored program, it must meet the following tests:

- Reasonable (would a prudent person incur this expense?)
- Allocable (Is expense beneficial to the project?)
- Consistent with Hamilton College costing practices (Expenses are treated the same regardless of source of funds)

Direct Costs	Normal Treatment
Salaries, Wages and Benefits <ul style="list-style-type: none"> ▪ Faculty ▪ Postdoctoral fellow ▪ Undergraduate students ▪ Technical personnel ▪ Administrative and clerical staff 	Costs of personnel are allowable on research agreements to the extent supported by actual effort performed on the project and approved in the award budget. Periodic effort certifications will be used to compute the cost charged to a sponsored agreement. Administrative and clerical costs are generally recovered through indirect costs; therefore, they are usually unallowable as direct costs on federal agreements. Except: <ul style="list-style-type: none"> ▪ Directive charging may be appropriate where the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support that is significantly greater than the routine level of such services provided by academic department.
Business Meals and Meeting Costs	Only when specifically permitted by the sponsor agreement.

Grants Charging Expenses

Donations and Contributions	Not allowed.
Entertainment Costs	Not allowed unless specifically approved.
Equipment	<p>Scientific: Allowable when the equipment is necessary and will be used primarily, or exclusively, for the project(s) to which the costs will be charged.</p> <p>General Purpose (e.g., desks, file cabinets, fax machines, computers): No allowed unless specifically approved in the sponsored agreement or subsequently approved by the sponsor. In the case of computers, if a computer is essential to the performance of the work and will be used solely for such a project, costs may be allowable without further agency approval.</p>
Internet Costs	Costs of Internet connections from a person's home are generally not allowed.
Local Telephone (including monthly instrument charges)	Generally not allowed.
Materials (supplies)	<p>Project Supplies: Items such as chemicals, laboratory supplies, pens, pencils, folders, notebooks that can be identified as being "exclusively for the support of" a sponsored agreement are allowable.</p> <p>Office Supplies: Items commonly found in any office such as wall clock, calendars, waste cans, letterhead, staplers, etc. that would likely be used for purposes other than the award are not allowed.</p>
Membership (scientific or professional societies)	Not allowed except specifically approved.

Grants Charging Expenses

Postage	<p>Routine Postage Costs: Not allowed except where a project requires specifically identifiable large mailings.</p> <p>Special Mailing or Delivery Costs: Allowable when necessary for the success or completion of a project (example: overnight mailing to collaborators or suppliers)</p>
Pre-Agreement Costs	Not allowed unless approved under provisions of the funding agency.
Professional Services	Consultant fees are allowable. Honorariums are typically not allowed; rather, payments to consultants are for services received.
Publications (books, subscriptions)	Not allowed unless approved by the funding agency or essential to the daily conduct of the project and not readily available from other sources (such as the library).
Scholarships and Student Aid	Not allowed.
Travel Costs	<p>Allowable if specifically benefiting the project.</p> <p>Foreign Travel (using federal funds): U.S. flag carrier rules apply.</p>

Source: Atlantic Information Services, Inc. and National Council of University Research Administrators.

Indirect Costs

Indirect costs of sponsored projects are those that are incurred for common or joint objectives and cannot be identified easily or specifically with a particular sponsored project, or any other

Grants Charging Expenses

institutional activity. Hamilton uses a negotiated rate that is a percentage of salaries and wages.

Costs that are normally charged as indirect costs include, but are not limited to:

- Salaries, wages, and fringe benefits for administrative personnel. Note: individual awards may provide for specific exceptions when these costs may be charged directly.
- Costs related to the college's physical infrastructure, including building and equipment depreciation, interest associated with external debt issuances, utilities, janitorial services and general maintenance.
- Sponsored-project administrative costs including the Business Office, Human Resources, Purchasing Office, and more.
- Costs of the college's library.
- Material, supplies, and services of a more general nature, such as office supplies, general/administrative copying services, and office equipment maintenance.

Exceptions—Charging Indirect-type Costs as Direct Costs