POLICY STATEMENT

Cornell University expects its faculty, staff, and students, when dealing with federal and other sponsored funds, to follow Generally Accepted Accounting Principles (GAAP); comply with all government and sponsor rules and regulations; and follow established standards for determining when it is appropriate to propose and, if approved, directly charge costs normally considered Facilities and Administrative (F&A) costs to a sponsored project.

REASON FOR POLICY

As a recipient of federal funds, Cornell University must comply with the standards set forth in Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions and “Appendix A, Part 99005, Cost Accounting Standards for Educational Institutions” concerning the appropriate classification of costs as either direct or facilities and administrative (F&A) costs.

ENTITIES AFFECTED BY THIS POLICY

All units of the university (excluding the Weill Cornell Medical College and Graduate School of Medical Sciences)

WHO SHOULD READ THIS POLICY

- All staff and faculty responsible for charging and/or administering sponsored projects

WEBSITE ADDRESS FOR THIS POLICY*

- www.policy.cornell.edu/VOL3_18.cfm

*The Policy Office web pages house the most current versions of all standardized university policies, at www.policy.cornell.edu.
Policy 3.18
Charging Directly to Sponsored Projects Costs that are Normally Considered Indirect

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RELATED DOCUMENTS

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<td>OMB Circular A-21, “Cost Principles for Educational Institutions” including “Part 99005, Cost Accounting Standards for Educational Institutions”</td>
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<tr>
<td>University Policy 3.11, Effort Planning and Confirmation</td>
<td></td>
</tr>
<tr>
<td>University Policy 3.14, Business Expenses</td>
<td></td>
</tr>
</tbody>
</table>

CONTACTS

Direct any general questions about University Policy 3.18, Charging Directly to Sponsored Projects Costs that are Normally Considered Indirect, to your unit's administrative manager. If you have further questions about specific issues, contact the following offices:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
<th>Telephone</th>
<th>Web/E-mail Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account Information Accounting Documentation Financial Management of Sponsored Projects</td>
<td>Sponsored Program Services – Financial</td>
<td>(607) 255-5085</td>
<td><a href="mailto:uco-sfa@cornell.edu">uco-sfa@cornell.edu</a></td>
</tr>
<tr>
<td>Effort Distribution and Certification Financial Compliance Reviews Policy Clarification &quot;Unlike or Unusual&quot; Circumstances</td>
<td>Cost and Capital Assets</td>
<td>(607) 255-2016</td>
<td><a href="mailto:uco-cost@cornell.edu">uco-cost@cornell.edu</a></td>
</tr>
<tr>
<td>Proposal Preparation, Review, and Processing Interpretation of Award Terms</td>
<td>Office of Sponsored Program Services – Agreements</td>
<td>(607) 255-5014</td>
<td><a href="http://www.sps.cornell.edu">www.sps.cornell.edu</a></td>
</tr>
</tbody>
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### DEFINITIONS

These definitions apply to these terms as they are used in this policy.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td><strong>Allowable Costs</strong></td>
<td>Costs that are (a) reasonable, (b) allocable to sponsored projects under the principles and methods outlined in OMB Circular A-21, (c) given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances, and (d) conform to any limitations or exclusions set forth in OMB Circular A-21 or in the sponsored agreement as to types or amounts of cost items. (OMB Circular A-21, Section C2)</td>
</tr>
<tr>
<td><strong>Cost Allocation</strong></td>
<td>The process of assigning a cost, or group of costs, to a sponsored project, a particular service or project, a major function (e.g., research, instruction, or F&amp;A activity) in reasonable and realistic proportion to the benefit provided. (OMB Circular A-21, Section B3)</td>
</tr>
<tr>
<td><strong>Direct Costs</strong></td>
<td>Costs that can be identified specifically with a particular sponsored project, primarily research, instruction, or service, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. (OMB Circular A-21, Section D1)</td>
</tr>
<tr>
<td><strong>Facilities and Administrative (F&amp;A) Costs (formerly known as &quot;indirect costs&quot;)</strong></td>
<td>Costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. (OMB Circular A-21, Section E1)</td>
</tr>
<tr>
<td><strong>Federal Unallowable Costs</strong></td>
<td>Costs identified as non-reimbursable by the federal government in Section J, OMB Circular A-21 or by the specific sponsored project terms and conditions. This term supersedes the term &quot;non-recoverable cost.&quot;</td>
</tr>
<tr>
<td><strong>Indirect Costs</strong></td>
<td>See Facilities and Administrative (F&amp;A) Costs.</td>
</tr>
<tr>
<td><strong>Reasonable Cost</strong></td>
<td>Costs may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved, therefore, reflects the action that a prudent person would have taken, under the circumstances prevailing at the time, the decision to incur the cost was made. (OMB Circular A-21, Section C3)</td>
</tr>
<tr>
<td><strong>Sponsored Project</strong></td>
<td>Externally funded activity that is budgeted and accounted for separately and governed by specific terms and conditions. Sponsored projects must be budgeted and accounted for separately, subject to terms of the sponsoring organization. Sponsored projects may be in the form of grants, contracts, or cooperative agreements for research, instruction, and public service activities.</td>
</tr>
</tbody>
</table>
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Charging Directly to Sponsored Projects Costs that are Normally Considered Indirect

OVERVIEW

Introduction

The Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, includes regulations that require educational institutions to disclose what costs are charged to sponsored projects directly or indirectly, and under what circumstances. These regulations also require that university practices for classifying costs either as direct costs or facilities and administrative (F&A) costs be applied consistently to all costs incurred by the university. Consistency in this context means that costs incurred for the same purpose, in like circumstances, must be treated uniformly either as direct costs or F&A costs.

◆Note: Because certain types of costs (e.g., salaries and related benefits of administrative and clerical staff, office supplies, postage, local telephone, and memberships) are treated normally as F&A costs, they cannot be charged directly to a sponsored project unless the specific activities related to the project are clearly different in type or significantly different in scale from the institution norm. Costs normally charged as F&A costs (see Appendix A) may be charged directly when "unlike or unusual" circumstances exist (see Appendix B). The university expects the principal investigator to (a) exercise prudent judgment in identifying situations where “unlike or unusual” circumstances exist, and (b) ensure that an adequate process is in place to document the "unlike or unusual" circumstances.

Criteria

Described below are criteria for determining the appropriateness of budgeting for and charging normally F&A costs as direct costs to sponsored projects.

General

A. The size, nature, and complexity of sponsored projects, although not the final determining factors, are, in the aggregate, important considerations in determining unlike circumstances. For non-federal funds, the sponsor’s F&A rate policy also may be considered.

B. In instances when a sponsored project has unique requirements for extensive administrative and clerical support, office supplies, postage and/or local telecommunications costs (e.g., monthly recurring costs, surcharges for local calls) substantially beyond those provided normally by academic units, such costs may be charged to sponsored projects as direct costs when:

   i. Costs (activities) are required by and can be specifically identified with the objectives of the project (e.g., salaries of clerical staff,
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OVERVIEW, CONTINUED

postage, and local telephone costs for a program requiring surveys by mail and by telephone)

ii. Costs are explicitly budgeted and justified in the proposal

iii. The sponsoring agency accepts the proposed cost as part of the project direct-cost budget (i.e., does not specifically disapprove the cost in the award or other notification to the university)

Administrative and Clerical Salaries and Employee Benefits

Administrative and clerical effort may be charged directly if it is both:

1. Required to complete the specific and distinctive requirements of a particular sponsored project (or group of sponsored projects), and

2. Not routine, administrative work that benefits multiple activities of the unit

Examples:

- The nature of the work performed under a particular sponsored project is directly related to the technical substance of the project, e.g., individual(s) collecting data, maintaining subject/patient data, conducting phone surveys, scheduling visits, etc.

- On a National Science Foundation (NSF) research center or National Institutes of Health (NIH) program project grant, the administrative/clerical effort is documented in the proposal as part of the scope of work, and is approved by the sponsor

Data Communication Costs

The following data communication costs will be charged normally as F&A costs:

- Expenses associated with backbone/wireless services, (i.e., the common infrastructure costs)

- Port fees, public and non-public

◆ Note: It is recognized that a significant portion of wide area network (WAN) usage is related to and benefits academic activities, such as instruction and organized research. Because of this, and because WAN usage can be measured, it may be apportioned to all benefiting activities, both direct and F&A, proportionate to the benefits provided. In situations when the benefit and apportionment is to a sponsored agreement, the direct charging of these services must be budgeted specifically and
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OVERVIEW, continued

justified in the grant application or contract proposal, and be approved (or not disapproved specifically) by the awarding agency.

Other F & A Costs

Office supplies, local telephone costs (e.g., monthly equipment/line charges), postage, and memberships in professional and scientific organizations may be included in the proposal budget if the intended use is for project specific activities that are clearly justified in terms of their relevance to the methods used in conducting the research.

Examples:

- Office supplies, such as
  - Envelopes used to mail an unusually large number of research questionnaires
  - Folders for filing survey responses and/or lab results
  - Data storage media, if the project involves extensive data accumulation and analysis

- Local telephone costs required to
  - Conduct surveys
  - Maintain contact with project activities conducted at remote locations
  - Establish and maintain a hotline or crisis line that is required specifically by the project

- Postage for
  - Shipment of research materials and deliverables to perform the project’s scope of work
  - Correspondence with the sponsor and/or project participants
  - Dissemination of surveys and/or materials produced as a result of the project activities

- Memberships in professional and scientific organizations if
  - The membership is the only means of obtaining a specific journal or periodical directly related to the project
  - The membership is required to attend a conference that is part of the sponsored project
  - The membership results in reduced conference registration fees or other associated costs, and is charged to the same sponsored project (savings must be greater than or equal to the membership cost)
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OVERVIEW, CONTINUED

Agency Approval

As noted in parts B, ii and B, iii of "Criteria," above, costs normally considered to be F&A costs must be budgeted specifically and justified in the proposal, and approved (accepted), or not disapproved specifically by the sponsoring agency.

◆ Caution: Re-budgeting authority, in itself, does not constitute authority to direct charge normally F&A costs. Re-budgeting for normally F&A costs requires sponsor approval.
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PROCEDURES

Flow Chart 1
Procedures for Budgeting/Charging F&A Costs to Sponsored Projects as Direct Charges

Identify the necessity for direct charging costs normally considered F&A costs

Determine if normally F&A costs are included in the proposal budget

Specifically identify the costs in the proposal budget

Justify the F&A costs in the proposal narrative or budget justification, explaining the unique or unusual circumstances that exist that support charging them directly

After appropriate routing and approvals, submit the complete proposal package to SPS - Agreements for processing

Review the proposal for compliance with sponsor guidelines

If the justification appears incomplete, return the proposal to the Principal Investigator for resolution

If the justification appears complete, continue processing the proposal as usual

Resolve issues (Principal Investigator)

Conduct periodic review of normally F&A costs charged to sponsored accounts and, no less often than annually, provide unit administrators reports of same for their confirmation and/or correction

Make corrections (e.g., object code, account number) as necessary

Review sponsored accounts and reports provided for confirmation in accordance with this policy

OR
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RESPONSIBILITIES

The major responsibilities of each party in connection with University Policy 3.18, Charging Directly to Sponsored Projects Costs that are Normally Considered Indirect, are as follows:

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Investigator</td>
<td>Determine if there are any normally F&amp;A costs included in the sponsored proposal. Ensure that necessary budget detail and justifications are included in the proposal submission when normally F&amp;A costs are being proposed. Ensure that sponsor approval has been obtained when normally F&amp;A costs are being charged.</td>
</tr>
<tr>
<td>Unit Administrators</td>
<td>Review proposals, sponsored accounts, and other reports for compliance with this policy. Provide policy and budgetary guidance to principal investigators.</td>
</tr>
<tr>
<td>Sponsored Program Services – Agreements</td>
<td>Review proposal and award for completeness in accordance with this policy and the sponsor’s terms and conditions.</td>
</tr>
<tr>
<td>Sponsored Program Services – Financial</td>
<td>Review sponsored accounts for federal unallowable expenses.</td>
</tr>
<tr>
<td>Cost and Capital Assets</td>
<td>Review sponsored accounts for normally F&amp;A costs, and provide unit administrators with reports of same. Provide policy clarification.</td>
</tr>
</tbody>
</table>
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### APPENDIX A: NORMALLY DIRECT AND NORMALLY F & A COSTS

<table>
<thead>
<tr>
<th>NORMALLY DIRECT</th>
<th>NORMALLY F &amp; A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data Communication</strong></td>
<td></td>
</tr>
<tr>
<td>Wide area network (WAN) usage necessary to meet the goals of the project</td>
<td>Backbone/wireless services, port fees, wide area network (WAN) usage related</td>
</tr>
<tr>
<td>(must be specifically budgeted, justified, and approved (or not disapproved</td>
<td>to administrative activities</td>
</tr>
<tr>
<td>specifically by the sponsor)</td>
<td></td>
</tr>
<tr>
<td><strong>Salaries and Wages/Employee Benefits</strong></td>
<td></td>
</tr>
<tr>
<td>Faculty, technicians, research associates and assistants, including graduate</td>
<td>Administrative and clerical positions such as administrative assistants,</td>
</tr>
<tr>
<td>research assistants and other students performing scientific or technical work,</td>
<td>accountants, office personnel, including student workers, purchasing agents</td>
</tr>
<tr>
<td>post doctoral associates and other technical and programmatic personnel</td>
<td>and buyers; administrative activities of directors and assistant and associate</td>
</tr>
<tr>
<td>necessary to meet the goals of the project</td>
<td>directors, executive assistants, and other administrators</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td></td>
</tr>
<tr>
<td>Consultant’s fees, printing, reprints and page charges, photography and</td>
<td>Legal and financial services, insurance, general recruitment advertising;</td>
</tr>
<tr>
<td>photocopy charges. Repairs and maintenance (related to scientific and technical</td>
<td>repairs and maintenance (facilities and general-purpose equipment);</td>
</tr>
<tr>
<td>equipment)</td>
<td>administrative computing</td>
</tr>
<tr>
<td><strong>Supplies</strong></td>
<td></td>
</tr>
<tr>
<td>Laboratory and scientific supplies, chemicals, glassware, field supplies,</td>
<td>Office Supplies, custodial supplies, parts and supplies associated with</td>
</tr>
<tr>
<td>compressed gases and liquids, radioactive material, software, animals</td>
<td>repair and maintenance of general purpose equipment and facilities, paper,</td>
</tr>
<tr>
<td></td>
<td>forms, general purpose books and reference materials</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td></td>
</tr>
<tr>
<td>That which is required to carry out the objectives of the sponsored project</td>
<td>That which is related to administrative activities</td>
</tr>
<tr>
<td><strong>Other Operations</strong></td>
<td></td>
</tr>
<tr>
<td>Telephone (including fax) toll charges; laboratory, scientific and field</td>
<td>Postage (including express delivery, etc.); telephone - basic service,</td>
</tr>
<tr>
<td>non-capital equipment; lease/rental of vehicles and other equipment; lease/</td>
<td>installation, repair, and line charges (including cellular, 800, and fax);</td>
</tr>
<tr>
<td>rental of off-campus facilities; participant expenses and student/trainee</td>
<td>general purpose capital and non-capital equipment; utilities; dues/memberships</td>
</tr>
<tr>
<td>non-compensatory support (training grants), subject pay, sub-agreements;</td>
<td>(other than those specifically required) in business, professional, and</td>
</tr>
<tr>
<td>consortia fees; technical and scientific capital equipment</td>
<td>technical organizations; subscriptions.</td>
</tr>
</tbody>
</table>

◆ **Note:** This matrix indicates when a particular cost will normally be charged directly or as F&A costs to sponsored projects under “like” circumstances. This listing of costs is not intended to be inclusive, but provides examples of those most commonly associated with sponsored projects.
**APPENDIX B: DIRECT CHARGING OF NORMALLY F & A COSTS**

- **Note:** When normally F&A costs are planned and used for a project's technical scope of work, the project does not need to be major in order for those costs to be charged directly, but they must meet the remaining policy criteria. This flow chart assumes all expenses (proposed or incurred) to be Cornell and federal allowable.
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APPENDIX C: OFFICE OF MANAGEMENT AND BUDGET INTERPRETATION (CLARIFICATION)

<table>
<thead>
<tr>
<th>Office of Management and Budget Interpretation (Clarification)</th>
</tr>
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<tbody>
<tr>
<td>Following is the OMB interpretation (July 13, 1994) that provides guidance on defining the circumstances under which administrative and clerical salaries may be charged directly to federal sponsored projects in accordance with the provisions of OMB Circular A-21, Section F.6.b.:</td>
</tr>
</tbody>
</table>

"This provision is intended to establish the principle that the salaries of administrative and clerical staff should usually be treated as indirect costs, but that direct charging of these costs may be appropriate where the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by academic departments. The costs would need to meet the general criteria for direct charging in Section D.1. – i.e., ‘be identified specifically with a particular sponsored project...relatively easily with a high degree of accuracy,’ and the special circumstances requiring direct charging of the services would need to be justified to the satisfaction of the awarding agency in the grant application or contract proposal.

"The following examples are illustrative of circumstances where direct charging the salaries of administrative or clerical staff may be appropriate.

"-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 seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus.

"-Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, IRB preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications."
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APPENDIX D: JUSTIFICATION

Justification

The following represents key questions related to the inclusion and justification of normal F&A costs on sponsored projects. To justify administrative charges, the principal investigator should ask the following questions:

1. Because all projects require a certain amount of account reconciliation, correspondence, phone calling, office supplies, etc., how will the proposed charge(s) differ from the standard level of support expected for all projects?

2. The job title or payroll classification may imply administrative work is being conducted. How will the nature of the work differ from general administrative work conducted for all projects, and why are the charges necessary to meet the technical purposes of the award rather than to support the administrative needs?

3. The cost category (e.g., supplies) may imply that the items are being used for administrative purposes. How will these items be used to meet the technical needs of the project, and what is their relevance to the methods used in conducting the project?

4. How will the proposed charges be accurately documented and assigned to the project with a high degree of accuracy? (e.g., An administrator working full-time for a project can be allocated easily and accurately to the project; however, if that person works on five or more projects, it will be difficult to document accurately the relative benefit to any specific project.)

5. How does the charge meet a specific need of the project (i.e., the benefit derived by the project as a result of it being charged directly to the project)