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 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) 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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<th>Other Documents</th>
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<td>Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</td>
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<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</td>
<td>Sponsored Financial Services</td>
<td>(607) 255-5085</td>
<td><a href="https://www.dfa.cornell.edu/sfs/">https://www.dfa.cornell.edu/sfs/</a></td>
</tr>
<tr>
<td>Accounting Documentation</td>
<td></td>
<td></td>
<td><a href="mailto:sfs-help@cornell.edu">sfs-help@cornell.edu</a></td>
</tr>
<tr>
<td>Effort Distribution and Certification</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Management of Sponsored Projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy Clarification</td>
<td></td>
<td></td>
<td><a href="mailto:uco-cost@cornell.edu">uco-cost@cornell.edu</a></td>
</tr>
<tr>
<td>&quot;Unlike or Unusual&quot; Circumstances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposal Preparation, Review, and Processing</td>
<td>Office of Sponsored Programs</td>
<td>(607) 255-5014</td>
<td><a href="http://www.osp.cornell.edu">www.osp.cornell.edu</a></td>
</tr>
<tr>
<td>Interpretation of Award Terms</td>
<td></td>
<td></td>
<td><a href="mailto:osp-help@cornell.edu">osp-help@cornell.edu</a></td>
</tr>
</tbody>
</table>
### DEFINITIONS

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

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowable Costs</td>
<td>Costs that are (a) reasonable, (b) allocable to sponsored projects under the principles and methods outlined in 2 CFR 200, (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 2 CFR 200 or in the sponsored agreement as to types or amounts of cost items. (2 CFR 200.405)</td>
</tr>
<tr>
<td>Cost Allocation</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. (2 CFR 200.405)</td>
</tr>
<tr>
<td>Direct Costs</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. (2 CFR 200.413)</td>
</tr>
<tr>
<td>Facilities and Administrative (F&amp;A) Costs (also known as &quot;indirect costs&quot;)</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. (2 CFR 200.414)</td>
</tr>
<tr>
<td>Federal Unallowable Costs</td>
<td>Costs identified as non-reimbursable by the federal government in 2 CFR 200.420-475 or by the specific sponsored project terms and conditions. This term supersedes the term &quot;non-recoverable cost.&quot;</td>
</tr>
<tr>
<td>Indirect Costs</td>
<td>See Facilities and Administrative (F&amp;A) Costs.</td>
</tr>
<tr>
<td>Reasonable Cost</td>
<td>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. (2 CFR 200.404)</td>
</tr>
<tr>
<td>Sponsored Project</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>
Policy 3.18
Charging Directly to Sponsored Projects Costs that are Normally Considered Indirect

OVERVIEW

Introduction

2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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, (b) ensure that an adequate process is in place to document the "unlike or unusual" circumstances, and (c) conforms with the review and approval process outlined in this policy.

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 only, a sponsor limiting F&A to a level below the university’s federally negotiated rate may be considered unlike circumstances.

B. In instances when a sponsored project has unusual 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:
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OVERVIEW, CONTINUED

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

Direct charging of these costs may be appropriate only if all of the following conditions are met:

(1) Administrative or clerical services are integral to a project or activity;
(2) Individuals involved can be specifically identified with the project or activity;
(3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
(4) The costs are not also recovered as indirect costs.

   a. Note: this criterion is automatically met, as the university excludes directly charged administrative costs from its Facilities and Administrative rate proposal

Generally, these costs must be in a quantity and/or of a type that is above-average. It is essential to demonstrate allocability to the project.

Examples (intended to be illustrative, and not comprehensive):

- A half-time research assistant to coordinate animal protocols
- A conference coordinator full-time for a one-month period surrounding an event
- A full-time program administrator to coordinate multiple-institutions participating in a large, single award, overseeing the financial transactions, and facilitating the collaboration
- A project that requires a half-time administrative assistant to send, receive, and tabulate surveys
- A large project to construct a complex instrument may require a full time purchasing assistant to procure needed components
- A study with hundreds of human participants requiring recruitment, registration, consent, and payment over a two month period might justify a full-time temporary program aide.
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Charging Directly to Sponsored Projects Costs that are Normally Considered Indirect

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**OVERVIEW, CONTINUED**

Allocation of a support person across many awards (e.g. 10% each on 10 awards), or a *de minimis* amount, is unlikely to meet the test above.

### Data Communication Costs

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

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

### Computers Costing Less than $5,000

Allowability of computing devices with a unit cost of less than $5,000

- Computing devices (e.g., computers, printers, storage devices) are direct costs and may be charged to sponsored awards to the extent that the devices are necessary, allocable, and allowable.
  - Necessary: The project’s objectives cannot be completed without the computing device.
  - Allocable: All or a portion of the device’s use is for the sponsored project and the project’s portion of the use can be reasonably estimated.
  - Allowable: The terms of the award and/or the sponsor’s policies permit purchasing the device.

- The device’s cost must be properly allocated to all benefitting activities, including any use of the device in instructional and administrative activities.
  - If a device will be used only in part for an award’s activities, the award may only be charged for a portion of the device’s cost. The portion charged to the award cannot exceed the estimated portion of the device’s use for that award. While it is not expected that the
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OVERVIEW, CONTINUED

device’s useful life will match the award period, care should be taken to avoid having the award bear more than its fair share.

- It is critical that university-funded activities, such as instruction and administration, bear at least their fair share of the acquisition cost

- *De minimis*¹ use of the device for non-award activities is allowed. For example, someone checking personal email or someone working primarily on a sponsored project using the device(s) for preparing a guest lecture for a class.

- The purchase documentation within the accounting system (KFS), (e.g., purchase request made via an “I Want Document” or indicated on the imaged receipt for a Purchasing Card charge), must include a brief explanation, from the principal investigator or user of the device, of why the device is necessary (e.g., “This is needed to analyze data from our NIH and DOE-funded experiments and support my teaching. There are no other computers available.”) for the award and how the device’s cost is to be allocated to the award and/other sources (e.g., “I estimate one-quarter of the use of the device will be for, and charged to, the NIH award, one-quarter to the DOE award, and half to my departmental account.”). While including details of an acquisition in the proposal budget justification is a good practice, it is not mandatory as long as the purchase of the computing device is consistent with the sponsor rules and the award budgeted, or is within rebudgeting authority that is provided by the terms of the award.

- Mobile devices (laptops, tablets, etc.) often serve multiple purposes; therefore, if such a device is to be allocated to an award, the statement regarding the necessity of the device for the completion of the sponsored project activities must be particularly clear and compelling, and the allocation must be carefully defined and documented.

- Because computing devices are not immediately “consumed,” they should not be purchased in the final three months of an award.

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¹ *De minimis* has been defined as “too trivial or minor to merit consideration.” While there is no absolute level of usage that is considered *de minimis*, a rule of thumb for this usage is no more than 1%-2%.
OVERVIEW, CONTINUED

- This treatment only applies to computing devices. Supplies, such as toner cartridges, are still considered normally indirect costs and should not be charged to sponsored awards.

◆ Note: Computing devices with a unit cost of $5,000 or more are classified by the federal government as “general purpose equipment.” Prior sponsor approval for such acquisitions is required, since general purpose equipment is not normally charged directly to an award. As described in this policy such approval may be obtained by detailing the acquisition in the proposal budget, or by seeking specific approval after the award is made.

Other F & A Costs

Office supplies, local and cellular 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
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OVERVIEW, CONTINUED

- 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)

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: Rebudgeting authority, in itself, does not constitute authority to direct charge normally F&A costs. Re-budgeting for normally F&A costs requires sponsor approval, unless such a requirement is formally waived by the sponsor.
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Draft Date: December 18, 2014

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:

| Principal Investigator | Determine if there are any normally F&A costs included in the sponsored proposal.  
|                        | In conjunction with unit administrators, ensure that necessary budget detail and justifications are included in the proposal submission when normally F&A costs are being proposed.  
|                        | In conjunction with unit administrators, ensure that sponsor approval has been obtained when normally F&A costs are being charged. |
| Unit Administrators    | Review proposals, sponsored accounts, and other reports for compliance with this policy.  
|                        | Provide policy and budgetary guidance to principal investigators. |
| Office of Sponsored Programs | Review proposal and award for completeness in accordance with this policy and the sponsor's terms and conditions. |
| Sponsored Financial Services | Review sponsored accounts for normally indirect and federal unallowable expenses. |
| Cost and Capital Assets | Perform periodic reviews of sponsored accounts for selected normally F&A costs, and provide unit administrators with reports of same.  
|                        | Provide policy clarification. |
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APPENDIX A: NORMALLY DIRECT AND NORMALLY F & A COSTS

Table 1
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><strong>Data Communication</strong></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 to administrative activities</td>
</tr>
<tr>
<td>(must be specifically budgeted, justified, and approved (or not disapproved specifically) by the sponsor)</td>
<td></td>
</tr>
<tr>
<td><strong>Salaries and Wages/Employee Benefits</strong></td>
<td><strong>Salaries and Wages/Employee Benefits</strong></td>
</tr>
<tr>
<td>Faculty, technicians, research associates and assistants,</td>
<td>Administrative and clerical positions such as administrative assistants,</td>
</tr>
<tr>
<td>including graduate research assistants and other students performing</td>
<td>accountants, office personnel, including student workers, purchasing agents and</td>
</tr>
<tr>
<td>scientific or technical work, postdoctoral associates and other technical and</td>
<td>buyers; administrative activities of directors and assistant and associate</td>
</tr>
<tr>
<td>programmatic personnel 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><strong>Services</strong></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); administrative computing</td>
</tr>
<tr>
<td>equipment)</td>
<td></td>
</tr>
<tr>
<td><strong>Supplies</strong></td>
<td><strong>Supplies</strong></td>
</tr>
<tr>
<td>Laboratory and scientific supplies, chemicals, glassware, field supplies,</td>
<td>Office supplies, custodial supplies, computer and printer supplies (e.g. toner,</td>
</tr>
<tr>
<td>compressed gases and liquids, radioactive material, software, animals, non-</td>
<td>paper), parts and supplies associated with repair and maintenance of general</td>
</tr>
<tr>
<td>capital computers and related items.</td>
<td>purpose equipment and facilities, paper, forms, general purpose books and</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>reference materials</td>
</tr>
<tr>
<td>That which is required to carry out the objectives of the sponsored</td>
<td>That which is related to administrative activities</td>
</tr>
<tr>
<td>project</td>
<td></td>
</tr>
<tr>
<td><strong>Other Operations</strong></td>
<td><strong>Other Operations</strong></td>
</tr>
<tr>
<td>Telephone long distance charges; laboratory, scientific and field non-capital</td>
<td>Postage (including express delivery, etc.); telephone - basic service,</td>
</tr>
<tr>
<td>equipment; lease/rental of vehicles and other equipment; lease/rental of off-</td>
<td>installation, repair, and line charges (including cellular, 800, and fax);</td>
</tr>
<tr>
<td>campus facilities; participant expenses and student/trainee non-compensatory</td>
<td>general purpose capital and non-capital equipment; utilities; dues/memberships</td>
</tr>
<tr>
<td>support (training grants), subject pay, human participant fees; sub-agreements;</td>
<td>(other than those specifically required) in business, professional, and</td>
</tr>
<tr>
<td>consortia fees; technical and scientific (i.e. “special purpose” capital</td>
<td>technical organizations; subscriptions.</td>
</tr>
<tr>
<td>equipment)</td>
<td></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**

**Flow Chart**

**Direct Charging of Normally F & A Costs - Decision Tree**

*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.

- Are the expenses considered normally F&A? (See Appendix A)
  - YES
  - NO

- Are the expenses specifically identifiable to the project?
  - YES
  - NO

- Is the project and/or activity administratively extensive?
  - YES
  - NO

- Are/were the expenses specifically budgeted and justified as direct charges according to the policy?
  - YES
  - CONTINUE
  - NO APPROVAL

- Obtain sponsor approval to re-budget and charge normally F&A costs.
  - YES
  - NO

- Have expenses specifically disapproved by sponsor?
  - YES
  - NO

- Charge to department or college.
  - YES
  - NO

- Charge as a direct cost.
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APPENDIX C: 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., office 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)