



**DIVISION OF RESEARCH, ECONOMIC DEVELOPMENT  
& ENGAGEMENT  
OGC POLICIES AND PROCEDURES**

**Title:** ALLOWABLE COSTS – COST PRINCIPLES

**Description:** FINANCIAL COMPLIANCE

**Contact:** Office of Grants and Contracts,  
grantsc@ecu.edu, 252-328-9530

**History:** Originated 1995, Updated 2007, Updated 2011,  
Updated 2015

**Additional References:** Uniform Guidance 2CFR200  
(formerly OMB Circulars A-21, A-50, A-87, A-89, A-  
102, A-110, A-122, and A-133), ECU Administration and  
Finance and Human Resources business practices,  
individual sponsor guidelines and policy manuals, and  
Office of Federal Procurement Cost Accounting  
Standards

**Category:**

AWARDS MANAGEMENT  
FINANCIAL

**Authority:** Vice Chancellor for  
Research, Economic  
Development & Engagement  
(REDE)

**INTRODUCTION AND BACKGROUND**

Sponsored projects, also known as awards, may be grants, contracts, cooperative agreements, subagreements, purchase orders, or any other funding mechanism from an external sponsor where the funding agreement is processed and managed through the ECU Office of Sponsored Programs (OSP) and the Office of Grants and Contracts (OGC). This document outlines general procedures for financial management and allowable costs to be charged to sponsored projects.

Most sponsors issue their own policy guidelines and directives defining acceptable costs for purposes of their programs. Despite many similar policies for the various agencies, there are sufficient differences in requirements to make it impractical to issue and maintain one all-inclusive policy defining acceptable costs. Other ECU policy and procedure statements related to campus business practices may provide additional information on specific cost areas/transactions.

Principal Investigators (PI) and Departmental Administrators (DA) should review these guidelines and sponsor policies when preparing proposal budgets. Only allowable direct costs should be included in proposal budgets. PIs may contact their representative in the Office of Sponsored Programs for information or questions on the requirements for a proposal to a specific sponsor.

Upon receipt of an award, PIs and DAs should review the individual award terms and conditions and specific sponsor guidelines in assessing the appropriateness of costs to be charged to an individual sponsored project. PIs may contact their representative in the Office of Grants and Contracts for information or questions on the requirements for a specific sponsor or award.

The purpose of this document is to provide clarification, guidance and references as to University practices on selected areas of cost. Specific award terms and conditions or general sponsor policies may be more restrictive or may allow exceptions to the guidance provided. University policies may be more restrictive than sponsor regulations. The most restrictive policy (sponsor or ECU) will normally apply to all expenditures charged to a sponsored project.

Because ECU is a recipient of federal funding, there is a requirement for the University to establish business practices outlining costs that:

- (1) Are normally allowable as a direct cost to a sponsored project; or
- (2) Are normally considered a Facilities and Administration cost (F&A, also known as indirect cost or overhead); or
- (3) Are normally considered as an F&A cost but may be allowed as a direct cost with an exception approval process; and
- (4) Normally are not allowed as either a direct or indirect cost.

Implementation of University definitions and exception procedures are required in addition to any requirements outlined in a specific funding solicitation or any general sponsor guideline.

The following information is based on federal regulations and guidelines and some details do not apply to non-federal awards. However, many non-federal sponsors have similar restrictions.

PIs/DAs should review these guidelines before incurring costs on any sponsored project. Even if not mandated by specific sponsor policies, the following guidelines provide best practices and University expectations for managing sponsored projects, help identify potential areas of concern or potential restricted costs, help departments develop adequate financial review and cost oversight practices, and help minimize disallowances, audit findings and other adverse management actions.

For federal awards, a documented exception request and approval must be maintained in the OGC audit file and in the PI/DA project files for any normally not allowed or normally F&A costs to be incurred on a sponsored project. A copy of the request format/form is attached as Appendix B at the end of these guidelines. The form is also available on the OGC website <http://www.ecu.edu/grants/>

All exception requests should be submitted as soon as it is known that costs will need to be incurred. Exceptional direct costs must be removed from the sponsored project to a non-sponsored fund or an F&A fund (if allowable) if an authorization is not approved. Inclusion of costs in a proposal budget is not, in itself, an authorization to incur the cost, if the cost is identified as an exception needed in these guidelines. All exceptional costs must have the explicit approval of the sponsor and OGC. All exception requests should be approved prior to incurring the cost but by no later than the budget end date.

Please note that, although some citations to specific areas of the Uniform Guidance are provided, not all of the relevant UG clauses are identified. The UG is a comprehensive document that addresses other administrative requirements that are not a part of this guideline, which is only related to ECU allowable cost principles. A complete copy of the text of the UG and other information related to the UG is available at [https://search.whitehouse.gov/search?affiliate=wh&form\\_id=usasearch\\_box&query=Uniform+Guidance](https://search.whitehouse.gov/search?affiliate=wh&form_id=usasearch_box&query=Uniform+Guidance)

The UG provisions are applicable to all federal awards issued on or after December 26, 2014. The UG and other federal regulations apply to all federally-funded sponsored projects, whether received directly from a federal agency (e.g., NIH, NSF) or indirectly as a pass-through subaward from another institution (e.g., University X). These cost guidelines are not established solely on the basis of the UG. In establishing ECU business practices, we also include considerations for historical F&A negotiation business practices, University business practices, common sponsor policies, best practices and Key Performance Indicators identified by UNC General Administration, State of North Carolina requirements, Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board requirements (GASB) and other audit guidelines or published findings.

## **GENERAL REQUIREMENTS**

All costs charged to a sponsored project must be allowable under both sponsor guidelines and University policies. An expense is allowable if it meets **all** of the following criteria:

- The cost is incurred within the award budget term dates;
- The cost is reasonable – a prudent person would have purchased this item at this cost;
- The cost is necessary – the expense is specifically required to fulfill the terms and needs of the award;
- The cost is allocable – the expense specifically benefits the award and when the item is used for more than one activity, award or purpose, the appropriate share charged can be documented and identified to the specific activity, award or purpose;
- The cost is consistently treated – expenses of the same nature or used for the same purpose are treated and identified in a like way under like circumstances;
- The cost is allowable and not prohibited – the expense is not prohibited by sponsor policies and/or has specific sponsor approval *and* is not prohibited by University policies; and
- The transaction meets other regulatory requirements/practices, as needed.

When costs are not allowed as a direct charge to the sponsored agreement, they usually cannot be used for cost-share or match purposes without explicit sponsor authorization.

To facilitate reference, arrangement of the cost categories is alphabetical. For comments and guidance on items not specifically referenced, please consult sponsor policies or contact your OGC representative.

For comments and guidance on F&A (indirect) cost rates, please contact the Office of Sponsored Programs (OSP) for proposal preparation prior to an award or OGC for expenditure information, calculations, distributions and other information after the award has been issued.

## **EXPENDITURES NOT ALLOWABLE AS EITHER A DIRECT OR AN INDIRECT COST**

The following costs normally cannot be charged to a sponsored project or to F&A earned from sponsored projects.

- Advisory Councils, UG 200.422
- Alcoholic Beverages, UG 200.423
- Alumni Activities, UG 200.424
- Bad Debts and deficits, UG 200.426, 200.428, 200.451
- Charitable contributions, donations, gifts, UG 200.434
- Commencement and Convocation Expenses, UG 200.429
- Disallowed direct costs
- Entertainment costs, UG 200.438
- Fines, penalties, damages and other settlements, UG 200.441
- Fund raising and investment management costs, UG 200.442
- Interest, investment costs, borrowed capital, UG 200.449
- Legal Costs, UG 200.435
- Lobbying Costs, UG 200.450

- Memberships in country clubs, social or dining clubs and organizations where purpose is lobbying, UG 200.454
- Organizational costs of establishing a new organization e.g., broker's fees, incorporation fees, attorneys, etc., UG 200.455
- Personal use goods or services, UG 200.445
- Selling and marketing costs of products or services, UG 200.467
- Student activities costs (publications, clubs, athletics, etc.), UG 200.469
- Travel or subsistence or living allowances for Board of Trustees or Board of Governors, UG 200.475

## **INDIRECT COSTS (F&A) GENERAL**

It is University policy that all projects, from both federal and non-federal sponsors, be charged F&A based on the ECU federally negotiated rates. Contact your OSP representatives for additional information and guidelines on appropriate F&A rates for proposals.

Some costs (see below) are specifically defined as normally F&A costs and should not be charged as a direct cost. F&A rates are specifically negotiated to include allocations for these types of costs and sponsors should not be charged twice (both as a direct and as an indirect) for like-costs.

Except as noted, if a cost is eligible as a direct cost, it is also allowable as an indirect cost, so long as the expenditure supports the research mission of the University.

Earned (received pool) F&A proceeds may be used as cost-share or match to a sponsored project.

Waived/reduced F&A calculations cannot be used as cost-share or match without explicit sponsor approval for the individual award. This is rarely authorized for federal awards but may occasionally be authorized by non-federal sponsors.

## **DIRECT AND INDIRECT COSTS FOR A SPONSORED PROJECT**

Please contact your OGC representative for additional clarification or to verify the allowability of a cost not listed.

**Accounting and Audit Costs**, UG 200.414, 200.425 (Normally F&A – Will require exception authorization for a direct cost.)

Normally not allowed as a direct cost. Specific authorization must be indicated in the sponsor award documents and all costs must be in accordance with University policies and procedures related to audits and accounting functions.

**Administrative/Managerial/Clerical Salaries/Wages and Benefits**, UG 200.413 (Normally F&A – will require exception authorization for a direct cost.)

This category includes any employees providing administrative or financial services to the PI/Department on behalf of the project (regardless of position title). Such costs are normally not allowed as a direct cost on federal awards. Such costs are also often restricted by non-federal sponsors.

Administrative/managerial/clerical costs should not be charged as a direct cost without specific sponsor approval.

See also Compensation.

**Advertising, Promotion, Public Relations and Recruitment**, UG 200.421, 200.463 (Normally F&A, except as noted - Will require exception authorization for a direct cost.)

General University service/program promotion and advertising are not normally allowed. See also Recruitment.

Advertising and recruitment for human subjects or participants is allowed, when directly related to the activities of the project.

Advertising for employee recruitment may be allowed if the position is intended to be 100% funded by the award. However, costs cannot be incurred if no hire is made. Costs should not be allocated to the sponsored project until completion of the hire process. Costs are not to be allocated to the sponsored project if the position is not specifically dedicated to the activities of the project.

If the employee's status is changed and they are split-funded and assigned other duties, within 12 months of the hire date, then only a proportionate share of the costs may be charged to the sponsored project and the award must be reimbursed.

Where advertising and recruitment costs have been funded in whole or in part as a direct cost to a project, the project must be reimbursed for all costs if the employee resigns or is terminated within 12 months of the hire date.

The following promotional costs are not allowed as a direct cost unless specifically approved by the sponsor for the individual project: Costs of general displays/exhibits/posters; costs of meeting rooms or hospitality suites or specialized facilities as part of a show, conference or event; salaries and benefits of individuals setting up demonstrations and displaying exhibits or making demonstrations and providing briefings; and costs of any other promotional items/memorabilia such as models, gifts and souvenirs.

**Advisory Committees**, UG 200.422 (Normally not allowed as a Direct or F&A cost – Will require an exception authorization.)

Costs incurred for meetings of advisory councils/boards/committees are not allowed as either a direct or indirect cost unless specifically authorized by the sponsor for an individual award.

**Alcoholic Beverages**, UG 200.423 (Normally not allowed as a Direct or F&A cost – Will require an exception authorization.)

Exception may be authorized as a direct cost for alcohol-related research studies where the intent of the program is to research alcohol use or the impacts of alcohol and the alcohol is specifically authorized by the sponsor for the individual award.

**Alterations or Renovations, Construction Costs, Architectural Fees**, UG 200.439, 200.462 (Normally F&A – Will require an exception authorization for a direct cost.)

These costs are allowed only in exceptional cases and subject to specific sponsor guidelines and limitations. They are normally only authorized for construction-specific awards or service facility requirements; not for general purpose space or general facilities improvement.

Minor alterations/renovations directly related to the specific needs of the project may be approved by some sponsors as part of their policy guidelines.

Contact your OGC representative for project-specific clarification before incurring costs.

**Alumni Activities**, UG 200.424

Not allowed as a Direct or F&A cost. No exceptions will be authorized.

### **Animals**

Animal purchases, feed, caging, and animal care use fees or per diem are allowed as a direct cost for projects using animal models. The award must indicate that animals will be used for the project. Most sponsors want to authorize any use of animals. Animal-related costs may not be incurred without an approved animal subject protocol.

For additional information on procedures for animal protocol authorization contact the ECU Institutional Animal Care and Use Committee (IACUC), <http://www.ecu.edu/comparativemedicine/>.

Animal use fees or per diems must be established through an approved service center mechanism or vendor published catalogs with consistently applied rates charged to all users.

**Bad Debts** UG 200.426, 200.428, 200.451

Not allowed as a direct or indirect cost.

### **Banking Fees/Charges or Interest**

International bank wire transfer fees, directly related to the project expenditure or revenue activities, are normally allowed and do not require specific approval as a direct or indirect cost.

Costs or fees for bounced checks or to stop payment may not be charged as either a direct or indirect cost.

Interest or fees charged for late payments or for maintenance of accounts may not be charged as either a direct or indirect cost.

Except for the wire transfer fees, banking costs are normally considered a University expense and are not charged directly to a sponsored project or an F&A fund but may be included in formula development and calculations for F&A rates.

**Bonding Costs**, UG 200.427 (Normally F&A – Will require an exception authorization for a direct cost.)

Only authorized as a direct cost when bond assurance is a part of the sponsor's project-specific requirements and costs are allowable under the approved budget.

Bond costs normally are not allowed as an expenditure on an F&A fund. Institutional costs only used as a consideration in computations for F&A rates.

**Books/Subscriptions/Periodicals**, UG 200.415 (Normally F&A – Will require an exception authorization for a direct cost.)

Normally not allowable as a direct cost. Some specific development or training programs may allow direct charges on behalf of the trainee(s). Most research programs would not have as a direct cost.

Subscription/book/periodical purchases should be limited to publications not available through the library and to items specifically necessary to fulfill the specific scientific/technical aims of the project.

General discipline literature, subscriptions or publications, even when technical in nature (e.g., JAMA), should normally be charged to F&A.

See also Library Costs.

**Charitable Contributions, Donations or Gifts**, UG 200.434

Not allowed as a direct or indirect cost. No exceptions will be authorized.

**Collection Costs**, UG 200.428 (Normally F&A)

Not allowed as a direct cost. No exceptions will be authorized.

Normally not allowed as an expenditure on an individual F&A fund. Institutional collection costs are only used as a consideration in development and negotiation of calculations for F&A rates.

**Commencement and Convocation Expenses**, UG 200.429

Not allowed as a direct or indirect cost. No exceptions will be authorized.

**Compensation**, UG 200.430, UG 200.413

Salaries and wages for faculty, scientific/technical professionals, students and other individuals working specifically on the scientific/technical aspects of the project are normally allowed as a direct cost.

Salaries and wages for individuals performing general clerical/accounting/managements/administration duties are normally not allowed as a direct cost. (Normally F&A – See exception guidelines.)

All compensation charged to sponsored projects is based on the individual's established institutional base salary (IBS). Base pay may be established annually based on institutional guidelines consistently applied for all like employees.

Except for summer pay for 9-month faculty (1.33 calculation), supplemental or additional pay may not be

charged to grant funds. Stipends and awards for other University services (e.g., Dean/Director/Chair or award stipends) cannot be charged as either a direct or indirect cost.

Overtime pay should not normally be charged to a sponsored project. Appropriate oversight and management of project funds and activities should be used to prevent the need for overtime. Overtime must be minimized and only incurred under unusual circumstances. For non-exempt employees where overtime may be a part of their salary structure – documentation of overtime hours specifically allocated solely to project activities and a justification for such activity must be provided before an exception can be authorized.

In accordance with University procedures, all compensation distributions charged to sponsored projects must be periodically reviewed and certified through the Effort Reporting System (ERS). Any salary distribution not appropriately certified cannot be charged as a direct cost and may not be used for reportable cost share or match.

**Computer Service or Use Fees**, (Normally F&A – Will require an exception authorization for a direct cost.)

Routine, standard business computer services such as networking costs and internet access or general purpose software licenses (e.g., Microsoft Suite) are normally not allowed as direct costs.

Specialized computer search or scientific data base services or technical software licenses are allowable as a direct cost if the service is directly related to the award's technical needs and costs can be allocated to the individual project. Rates must be established through a service center mechanism or public vendor with consistently applied rates charged to all users. Costs must be prorated if used for multiple purposes, awards or activities.

**Computing Devices**, See Supplies and Equipment sections.

**Conference Costs**, UG 200.432 (Must have specific sponsor approval for a direct cost.)

Conference or workshop costs (i.e., conducting a conference/workshop, meeting, retreat, symposium, etc.; not the cost of attendance at a conference), is not normally allowed as a direct cost except when the purpose of the award is to conduct such training programs or the sponsor has given specific authorization to incur such costs. Conference grants usually have additional, specific requirements for types of costs that can be incurred, and may include match requirements and may have unique reporting procedures. Proposal budgets should list all costs related to the conference, in as much detail as possible (food, facilities, supplies, etc.), to ensure sponsor authorization.

Conference costs may be charged to F&A if the costs can be directly justified as part of the research mission and activities.

Attendance at a conference is usually treated as a travel cost and is allowed as a direct cost, if related to the scientific/technical needs of the award. All travel is subject to both sponsor and University guidelines on travel costs or restrictions and allocability.

**Consortium Costs/Subcontracting/Subagreements/Institutional Collaborations**, (Normally allowable as a direct cost.)

Usually requires specific agency/project authorization as part of the proposal/budget process. Contact the Office of Sponsored Programs to verify approvals needed and to establish an agreement with a collaborating institution.



Final invoices from the sub entity must be received in time for ECU to include their costs and meet the deadline for the final sponsor invoicing/reporting. Whenever possible, PIs are encouraged to shorten the length of the subaward by 30 days (e.g., issue the sub for 11 months, rather than the full 12 months award budget period), to allow time for the final billing to be received and processed prior to the sponsor's deadline.

**Consultant Services or Professional Fees**, UG 200.459 (Normally allowable as a direct cost.)

Individual consultant charges and professional fees may be subjected to competitive pricing justification and conflict of interest scrutiny by sponsors, auditors and University business offices. Most sponsors permit such charges if listed in the sponsor budget and if it is documented that such services are essential and will be obtained from a qualified person at reasonable and normal rates.

All consulting services with an individual are to be obtained in conformance with established University policies for contractual services agreements. All consulting agreements with a company should be treated like a vendor purchase and processed through the University's purchasing system. For additional information on University procedures and forms, visit the Materials Management website <http://www.ecu.edu/cs-admin/purchasing/contract/ContractHome.cfm> Justification for use of a consultant and fees charged (competitive pricing review) or sole source justification should be provided.

When considering consultant or professional services agreements, the PI must establish defined performance requirements, a timeline within the award period, and an appropriate rationale for the rate of payment. Some sponsors have established a maximum daily/hourly rate that may be charged for consultant services or professional fees.

ECU faculty/employees may not be paid at a consultant rate on an ECU sponsored project. ECU faculty/employees should normally be listed in the personnel section of a proposal budget and would receive an appropriate distribution of their pay, based on their effort and their normal institutional salary structure.

Other UNC and State employees are not authorized to be paid consultant fees by the University (even if located at another campus or agency) without specific approvals. State employees who work on ECU sponsored projects will not normally be authorized as consultants. They will normally charge the sponsored program an appropriate percentage of their salary for the effort performed on behalf of the project either through the dual employment process or through an established subagreement with their home institution.

State employees who are not 12-month or not full-time employees may be paid as consultants during their non-work months or when services are certified as outside of their part-time State assignment/duties. Contact your OGC representative for additional guidance on specific awards.

Both professional fees and travel expenses or other activities and allowances may be combined into one consultant agreement. This is the preferred method of handling such payments, provided that the travel or other cost allowances can be reasonably estimated. When the consultant travel costs are to be reimbursed, outside of the consulting agreement, this should be specifically referenced in the agreement. No matter how paid, the consultant should be advised that University travel practices and rates will apply to all reimbursements. Travel costs must be on a cost reimbursement, actual cost basis. Flat rate amounts for travel costs are normally not allowed. "Up to" flat rates, based on a maximum that will be paid, are allowed but documentation must be provided that actual costs met or exceeded the rate established.

Payments to former University employees for consultant services will be closely scrutinized and may require additional documentation to verify status as an independent contractor and the establishment of reasonable rates.

- Contact OSP for additional information on subagreements.
- Contact Human Resources for additional information on dual employment processes (form CP30).
- Contact Materials Management for additional information on consulting services.

### **Contingency Funds or Reserves**

Not allowed as a direct or indirect cost without sponsor authorization. May be allowed, for construction/renovation projects but normally not allowed on other project types.

### **Cost Share or Match Funding**

Expenditures used for cost share or match must follow the same reasonable, necessary and allocability requirements as costs charged directly to the award. All cost share must be documented in the accounting system and/or through the effort reporting system in order to be reported to the sponsor as match.

Cost-share expenditures must normally meet the same allowability criteria as costs charged directly to the sponsored project. Those types of costs that require an exception for charging directly to a grant will also need an exception authorization for inclusion in cost share or match reporting. The sponsor's allowable cost share requirements may be more specific or restrictive than these general cost principles.

A sponsored project cannot be used as cost-share or match to another sponsored project without explicit approval from both sponsors.

Cost share is subject to the same audit requirements as costs directly charged to the project.

Waived F&A calculations cannot be used as cost-share or match without explicit approval from the sponsor.

Proposals should minimize cost share commitments and only include cost share when required by the sponsors.

See also Cost Share policies/procedures on the OGC website <http://www.ecu.edu/grants/>

### **Depreciation**, UG 200.436

Not allowable as a direct cost or as an expenditure from an F&A fund. Not allowable as part of a cost share commitment.

Depreciation is only allowed as a formula component in an approved, established service center rate calculation and for institutional development and negotiation of calculated F&A rates.

### **Disallowed Costs**, UG 200.410

Direct costs incurred that have been specifically disallowed by sponsor or State audit or internal action through Internal Audit or OGC may not be transferred to F&A funds.

Costs normally defined as or allowable as F&A but inadvertently incurred as a direct cost, are not necessarily disallowed costs and may be transferred to F&A as part of the regular accounting review process or the closeout reconciliation process. All cost transfers should be processed on a timely basis. (See also OGC Cost Transfer procedures on the OGC website <http://www.ecu.edu/grants/>).

F&A costs determined to be unallowable by the cognizant agency will be refunded/adjusted as part of the F&A rate development and negotiation process, in accordance with the agency requirements.

**Dues and Memberships**, UG 200.415, 200.454 (Normally F&A – Will require an exception authorization for a direct cost.)

Individual memberships are normally not allowed as a direct cost on a research, teaching or service award. They are normally F&A.

Some individual memberships may be allowed for fellows or trainees participating in training programs where such direct costs are authorized.

Some institutional memberships may be allowed, when included in the sponsor's budget and identified as a requirement for the specific project.

Dues and memberships in country clubs, social or dining clubs, civic groups or organizations whose primary purpose is lobbying are not allowable as a direct or indirect cost.

**Employee Health and Welfare Costs**, UG 200.437

Not allowable as a direct cost or as an expenditure on an F&A fund.

Only allowable as part of the institutional development and negotiation of calculated fringe and F&A rates related to Human Resources costs.

**Encumbrances near the End Date and Balances after the Termination Date**

Orders for supplies and equipment must normally be processed ninety to sixty days (90-60) before the budget termination date in order to ensure receipt, use and direct benefit to the project. All costs incurred on a sponsored project must be for the direct use/benefit of the project charged.

Purchases in the last quarter of the budget period must be in quantities for reasonable use, in the remaining project period, and should not be for items to be stockpiled for use after the budget end date. Items not received and/or of immediate need and use/direct benefit to the project, prior to the termination date, will normally not be allowed.

As part of the closeout process, PIs will need to certify the value of goods purchased under the project but remaining/unused at the termination date. The project may have to be refunded for large residual balances. See additional information under Supplies.

**Entertainment Costs**, UG 200.438

Not allowable as a direct or indirect cost.

## **Equipment Purchase and Equipment Fabrication**, UG 200.439, 200.48, 200.13, 200.89

Equipment is defined as a tangible item with a unit value of \$5,000 or more and a useful life of one year.

Purchases of scientific/technical equipment is normally allowed as a direct cost. However, equipment should only be requested when the item is essential and allocable to the specific project, and the project does not have reasonable access to equipment that can achieve the same purpose. Items should not be justified on the basis of convenience or preferences.

Rental or lease of equipment is normally not allowed but may be approved under exceptional circumstances. UG 200.465 (Rentals are normally F&A – Will require exception authorization for a direct cost.)

General purpose and multi-purpose equipment (furniture, faxes, typewriters, file cabinets, refrigerators, freezers, vehicles, telephone systems, etc.) is normally not allowed. (Normally F&A – Will require exception authorization for a direct cost.)

Computing devices are normally F&A but may be allowed as a direct cost if specifically included in the sponsor approved budget and if costs can be appropriately allocated when items are used for multiple projects/activities. Computer needs/items should be detailed and justified in the sponsor submitted/approved budget. Requests for computing devices should be based on needs that are “essential” or “critical” to the specific project and costs must be appropriately allocated between specific project use/needs and “other” use/needs for the equipment.

Equipment fabrication is normally allowed if the item is scientific/technical equipment. General purpose equipment fabrication is normally not allowed and would require the same exception process as for purchased equipment. Contact OGC or Materials Management Fixed Assets for procedures on fabrication approvals.

Some sponsors have more restrictive cost definitions on what is classified as equipment. Where cost definitions are less than the ECU capitalization of \$5,000, the PI/Department must maintain inventory documentation of the items purchased until final closeout or disposition instructions from the sponsor. The PI/DA will need to track equipment in accordance with the sponsor’s definitions, in addition to the standard University procedures for inventory controls.

Equipment should not be purchased in the last 90 days of the project unless receipt, use and direct immediate need and benefit to the project are documented. Equipment purchases will not normally be approved in the last 90 days of the project without exceptional justification.

See also supplies.

## **Equipment Maintenance and Repair Costs**

Costs normally may be charged as a direct cost to a sponsored agreement (including maintenance service agreements) so long as the equipment has been purchased by the sponsored project and/or is being used by the sponsored project to fulfill the needs of the award; but only if the costs of the repair and maintenance can be specifically allocated to the individual award.

The award can only be charged an appropriate share of the costs. If the equipment is used for multiple users, purposes, activities or awards, the costs must be appropriately allocated to all or must be considered normally F&A and not a direct cost to the sponsored project. Documentation of the allocation methodology must be maintained with the cost/purchase documents.

In most cases, where equipment is used for multiple purposes, users or activities, the repair and maintenance costs would not normally be direct charged to individual sponsored projects. If an equipment item has multiple purposes, users or activities, use costs may be established through a service center or allocation mechanism with consistently applied rates charged to all users. The more users, activities or purposes for the equipment, the less likely it would be allowable to charge an individual award for the maintenance and repair costs and the more likely it would be considered F&A or a service center cost.

**Facilities Management and Maintenance**, UG 200.414 (Normally F&A – Will require exception authorization for a direct cost.)

Building maintenance, work orders or repair charges are normally not allowed as a direct cost.

**Fines, Penalties, Damages and Other Settlements**, UG 200.441

Not normally allowed as either a direct or indirect cost.

Exceptions may be authorized by the sponsor when the action is directly related to the requirements of the specific award or the sponsor is a party in the suit/action.

### **Food Costs**

Food costs on behalf of human subjects, related to the purposes of the award, either as an incentive or for test purposes, are allowed as a direct cost.

Animal food costs, related to the purposes of the award, are allowed as a direct cost.

Other food costs are generally restricted but may be allowable for specific approved project purposes such as approved conferences or as part of a travel reimbursement. University food and per diem rates and policies apply to charges on sponsored projects.

Except for human and animal subjects, food authorized as part of an approved conference program and meals related to travel reimbursements, food costs will normally require an exception authorization to be charged as a direct cost.

Normally in-town meals for faculty/staff/students are not allowed. In-town meal costs are only allowed when part of an approved conference/workshop with a published agenda and a list of attendees and the purpose of the meeting is specifically related to the grant program. Costs must be apportioned to different fund sources when attendees represent different projects or purposes.

Food costs related to routine project/office/lab business meetings of ECU faculty/staff/students, even if discussion is related to the project, are not allowed. In-town meals/food/refreshments for ECU faculty/staff/students will require exception authorization.

In-town meals, in lieu of payment or in addition to payment, are allowable for a visiting collaborator/scholar/lecturer where the activities of the visit are directly related to the specific project (even if a travel reimbursement is not processed). However, reimbursements may only be charged for the visitor and may not include costs for accompanying family or ECU faculty/staff/students.

Food costs related to entertainment, morale, general collaboration meetings, staff meetings, departmental meetings, or regular academic seminars are not allowed.

## **Fringe Benefits**, UG 200.431

Fringe benefits associated with compensation as established by the HR system are normally an allowable cost. Fringe benefit costs must be in proportion to the individual's salary charged to the award. Fringe benefits may not be charged to an award if there is no related compensation charged to the award.

Some awards allow compensation but do not pay fringe benefits or will not cover all of the fringe benefit costs. When the sponsor does not allow all or a part of the fringe benefit costs, the costs will be incurred, in conformance with University policies and payroll system practices, but the costs must be transferred to a non-sponsored fund and cannot be charged to the award.

Where graduate assistants are compensated through tuition remission, cost of mandatory health insurance may be a direct cost if charged in proportion to the student's overall compensation package.

Fringe benefits may only be charged for the individual employee. Where University policy allows for expansion of insurance coverage to family members, or other items for the benefit of individuals other than the employee, only the employee's share of the benefit may be charged to the sponsored project as either a direct or indirect cost. The expanded benefits must be charged to other institutional funds.

See also Terminating Vacation Leave.

## **Fund Raising and Investment Management Costs**, UG 200.442

Not allowed as a direct or indirect cost.

## **Gift Cards/Gift Certificates**

Gift cards/certificates to be distributed to human subjects as incentives are normally allowed as a direct cost, if the project has been authorized for human subjects. However, gift cards are considered high risk items and must be carefully safeguarded, only purchased in limited quantities at a time and disbursements must be documented. All purchases and distributions must be in conformance with the University's gift card procedures/policy. For additional information on the gift card procedures go to the Materials Management website <http://www.ecu.edu/purchasing/>

Reconciliation logs must be maintained for the distribution of the cards and the project may only be charged for actual cards distributed during the term of the award for approved individuals. Reconciling logs must be sent to OGC as soon as all cards are distributed and/or before the annual budget end date for each project. Unused or lost or stolen cards or cards not appropriately tracked in the logs, cannot be charged to the project. The sponsored project must be credited for all unused, lost or stolen cards. Contact your OGC representative for additional information regarding the distribution and log reconciling requirements.

An individual may be subject to 1099 tax reporting if they have received incentives (from any/all projects on campus) that exceed \$600 in a calendar/tax year. Gift card distribution logs must be forwarded to Financial Services, for 1099 review, on an annual basis, by December each year, or within the month after the cards are distributed if all cards are disbursed before December.

Gift cards should normally not be distributed to ECU employees. ECU employees should receive incentive payments through the payroll supplemental pay mechanisms.

ECU students should only receive gift card incentives if they are advised and understand that the value will be reported as part of their financial aid package and they are still willing to accept the card. Gift cards distributed to students must be reported to financial services/financial aid on a monthly basis.

### **Honoraria**

Not allowed as a direct or indirect cost.

Speaker fees, consulting fees or other compensation for services provided are normally allowable.

### **Housing and Living Expenses**

These costs are not routinely allowed on sponsored projects and will require specific approval.

Some conference awards and training projects will allow temporary housing and living costs for participants/trainees but this must be approved on an award-specific basis.

Temporary lodging and meals, as part of travel related to project activities, are allowed in conformance with University travel policies.

See also Recruitment.

### **Human Subjects Payments/Incentives**

Allowable as a direct cost provided that the award specifically indicates that human subject activities have been authorized by the sponsor and the ECU Institutional Review Board (IRB). Some sponsors and protocols may require detail-specific approval for types and amounts of incentives.

No costs related to human subjects may be incurred without an IRB review and an approved human subject protocol (as needed).

For additional information on human subjects procedures and protocol requirements see the ECU Office for Research Integrity and Compliance (ORIC) <http://www.ecu.edu/irb/>

### **Insurance**, UG 200.447

Health/Dental/Life/UI/WC insurance for employees is classified as a fringe benefit and is normally allowable. (See Fringe Benefits.)

Some training/fellowship programs may allow other insurance costs for specified trainees who might not otherwise be eligible for employee fringe benefits.

Mandatory student health insurance may be allocated to a sponsored project in proportion to the allocation of the student's compensation on the award. Student health insurance cannot be charged to the sponsored project if the student is not either employed by or receiving tuition remission from the award. Insurance costs charged must be in proportion to the student's overall support under the award.

For some foreign travel, it may be necessary to secure travel medical coverage for a specific country or to receive a visa. Such specific, temporary medical coverage may be allowed when the travel is authorized for the project and wholly charged to the sponsored agreement. If the travel is split-funded or is for multiple

purposes, the cost of the insurance must be in proportion to the other activities benefited and travel costs charged or charged to F&A. (See also Visas and Passports.)

No other insurance costs (liability, property, vehicle, etc.) are allowed on sponsored projects. (Normally F&A – Will require exception authorization for a direct cost.)

Medical liability or malpractice insurance is normally an institutional or personal cost. It is not normally allowed as direct cost and is normally not allowed as an expenditure from an F&A fund. To the extent permitted, it is only allowed and incorporated in institutional costs as used in the development and negotiation of calculated fringe and F&A rates.

#### **Interest Costs**, UG 200.449

Not allowable as a direct cost or as an expenditure from an F&A fund. To the extent permitted, interest is only allowed and incorporated in institutional costs as used in the development and negotiation of calculated F&A rates.

#### **Legal Costs**

Not allowed as a direct or indirect cost.

#### **Library Costs/Collections/Acquisitions**, UG 200.414 (Normally F&A – Will require exception authorization for a direct cost.)

Normally only allowable when the basic purpose of the award is to support specific library functions (e.g., library resource grants). All library-related costs must have specific authorization.

Fines, fees or other costs related to late returns or damaged or lost library items are not allowed as a direct or indirect cost.

#### **Licenses, Certifications, Professional Insurance**

Costs of securing or maintaining a license, certification or professional insurance are normally not allowed as a direct or indirect cost. This is considered an individual's personal, professional cost/responsibility. Even if needed for activities on the project, the individual must be qualified to work on the project, as part of the hire, and should already have and maintain appropriate degrees, licenses, certifications. The cost is personal/individual or institutional and should not be charged as a direct cost.

If a department normally reimburses all employees for costs of licensing, certification or professional insurance and has a published practice to this effect for all like employees, regardless of funding status, the cost may be charged as an indirect cost.

There may be occasional exceptions for controlled substance licenses or other unique one-time requirements specific to the activities of the award. Contact your OGC representative for exceptions for a specific award.

#### **Lobbying Costs**, UG 200.450

Not allowed as a direct or indirect cost.



**Maintenance and Repair Costs** UG 200.452 (Normally F&A – Will require exception authorization for a direct cost.)

Facilities repair costs or rearrangement fees may be allowed when alterations and renovations have been authorized on an award-specific basis.

See also Equipment. Maintenance and repair costs for equipment may be allowable as a direct cost if the item was purchased from the project funds and/or the item is dedicated to the project's activities. If the item is used for multiple projects or activities, the cost must be allocated in proportion to use. If an appropriate allocation cannot be documented the cost should be charged to F&A or absorbed as an institutional cost.

### **Parking Costs**

Incidental parking costs as part of travel or other related sponsored projects activities is normally allowed.

Costs for employee, student or trainee parking deck/lot access or fees incurred for normal employment/training activities or access to University facilities is not allowed as either a direct or indirect cost.

Costs for participant parking when attending an authorized workshop, program, or meeting sponsored by the award may be allowed.

Costs of parking tickets, fines or tows is not allowed as either a direct or indirect cost.

### **Participant Support Costs**, UG 200.456, 200.75

The award must specifically indicate that participant support costs have been authorized by the sponsor.

Participant costs are *not* the same as incentives for human subjects. Federal guidelines narrowly define participant support costs as a cost category and it is not comparable to the common use of "participant" for academic or program purposes. Participant support costs are normally only authorized as part of a conference or training project.

Participant costs are not normally authorized for research programs. Occasionally, a research project might have participant costs if there is a clear, segregated educational or outreach component that is a specified and approved goal/activity of the project.

Participant support costs have unique reporting, documentation and expenditure requirements. Costs for ECU employees or contract trainers/instructors/evaluators cannot be charged to the participant support category. Only costs directly related to the approved participants can be charged to this cost category. Costs for employees/instructors/evaluators may be allowable on the project under another cost category.

Contact OGC before classifying any cost as a participant support cost. A cost activity may be allowed but may need to be classified as other than participant costs; based on the sponsor and terms and conditions of the award. For example: An approved training session may allow refreshments, for participants, as part of the program but if anyone other than the approved participants attends the meeting (other students, staff, faculty, community participants, etc.) the costs must only be allocated to the participant costs category in proportion to the type of attendee. The balance of the cost must usually be allocated to F&A or other institutional funds.

## **Passports**

The costs and fees for securing a passport are a personal expense and cannot be charged as either a direct or indirect cost. See also Visas.

## **Patient Care (Inpatient/Outpatient)**

The award must specifically indicate that patient care activities have been authorized by the sponsor. Most projects do not have inpatient care authorized.

Costs of outpatient services for human subjects or service participants, such as lab tests, x-rays, etc. are normally authorized.

Costs related to human subjects or non-standard of care activities may not be incurred without review/approval by the IRB. For additional information on human subjects procedures and protocol requirements go to the ORIC website <http://www.ecu.edu/irb/>

Sponsors may often restrict patient care costs to certain rates for certain activities or to Medicare rates or to only those amounts not paid by third parties or only activities beyond Standard of Care, etc. The PI should carefully review specific requirements and restrictions for patient care activities and expenditure restrictions before charging patient care costs to any sponsored agreement.

## **Personal Use of Goods or Services, UG 200.445**

Not allowable as a direct or indirect cost.

## **Postage Including Shipping/FedEx/Courier, (Normally F&A – Will require exception authorization for a direct cost.)**

Routine postage costs are not allowed as a direct cost. This includes normal project costs related to collaborator correspondence, sponsor proposal submissions or progress reports and manuscript submissions. Postage is only allowable when based on specific extraordinary, technical needs of the project.

Postage may also be approved in situations where samples or materials (e.g., blood, tissue, x-rays) must be submitted to another institution for lab tests, analysis or other scientific activities directly related to the scope of the project.

## **Pre-Award or Pre-Agreement Costs**

Normally not allowed as a direct cost. Some federal sponsors do allow pre-award costs, up to 90-days, for specific types of awards. Sponsors must specifically authorize pre-award costs either in their policies or on an award-specific basis. Contact your OGC representative for determination on pre-award costs for a specific award.

Previously earned F&A may be used for bridge funding or developmental activities or pre-award costs prior to receipt of an award.

## **Printing and Photocopying**

Costs are usually allowed as a direct cost when related to the purposes of the award.

## **Proposal Costs**, UG 200.460

The cost of preparing proposals or applications for funding (includes human resources needed, supplies, copying, mailing, etc.) may not be charged as a direct cost. Proposal costs are F&A or institutional costs.

## **Publication and Printing Costs**, UG 200.461

Page charges, copying costs and other cost of publication development may be charged as a direct cost, providing that the charges are levied impartially by the publisher, regardless of fund source and: (1) The article is attributable to activities funded under the award and (2) the sponsor support is cited with the article and (3) the publication costs can be allocated appropriately when multiple sources contributed to the project activities.

Page charges may be accrued and included in the final financial reporting for the project, even if the publication date is after the award termination date, provided that the costs are established prior to the financial report due date (normally 60-90 days but may be less for some awards). Documentation of the pending costs must be identified to OGC as part of the termination financial reconciliation in order to be included in the final financial report. Financial reports will not be revised to incorporate page charges not specifically disclosed during the financial reconciliations for the financial report.

## **Recruitment**, UG 200.463

Patient/participant advertising and recruitment are usually allowable for projects that include human subjects. The award must specifically indicate that human subjects will be used for the project. Costs related to human subjects may not be incurred without review/approval by the Institutional Review Board (IRB). For additional information on human subjects procedures and protocol requirements go to the ORIC website <http://www.ecu.edu/irb/>

Patient advertising and recruitment may also be limited to awards that have specific sponsor authorization for “patient care” activities (inpatient or outpatient); not just human subjects participation.

Routine promotion/advertising of clinical services is not allowed as a direct or indirect cost. Recruitment costs may only be charged for targeted groups/activities related to the specific activities of the sponsored project.

General advertising of an academic program, department or center, or other health services, or for recruitment of students is not normally allowed as either a direct or indirect cost.

Employee advertising and recruitment costs are normally considered an institutional cost but may be charged to a sponsored project under specific circumstances. Employee recruitment costs may include travel costs and short-term lodging for the hired individual but not for all interviewees. Costs may be approved as a direct cost if the position is intended to be 100% funded by the award. An exception approval is required for all employee advertising and recruitment costs.

Costs cannot be charged to the sponsored project if no hire is made. Costs should not be allocated to the sponsored project until full completion of the hire process. Costs may not be allocated to the sponsored project

if the position is not specifically dedicated to the activities of the project.

Where advertising and recruitment costs have been funded in whole or in part as a direct cost to a project, the project must be reimbursed for the cost if the employee resigns or is terminated within 12 months of the hire date.

Where advertising and recruitment costs have been wholly funded as a direct cost, and the employee is split-funded and assigned other institutional duties, within 12 months of the hire date, the sponsored project should be reimbursed for costs in proportion to the 12 month assignment.

### **Registration**

Conference registrations are normally allowed when the conference is directly related to the needs of the project and when travel or attendance is authorized under the terms of the agreement. Registration and conference fees may only be charged for individuals working on the sponsored project.

When dues or memberships are a part of the registration fee, the dues portion of the fee normally cannot be charged as a direct cost and must be charged to F&A or an institutional fund, unless an exception has been authorized.

Some awards establish maximum travel costs per trip or activity or calendar period. In those cases, the registration fee must be considered as part of the total costs when assessing maximum amounts chargeable to the award.

### **Rental/Lease Space Costs**, UG 200.465

Usually only allowable as a direct cost for “off campus” projects where the University pays rent to an unaffiliated entity. The award must indicate that such costs are approved for the project. Costs must be in proportion to the project use when the facility is used for multiple projects, activities or purposes.

Incidental space rent for meetings or conferences may be appropriate for some “on campus” projects where such activities are otherwise authorized by the sponsor as part of travel or conference costs.

All other space costs including internal University assessments or recharges are normally not allowed.

Except as noted, rental/lease of space costs is normally F&A.

### **Retirement Plans**

University approved retirement plans are included in the benefits calculations and are allowable as a direct cost in proportion to the compensation paid.

See also fringe benefits.

**Sabbatical or other Voluntary Extended Leave**, UG 200.430 (Normally not allowed as a direct or indirect cost – Will need exception authorization.)

Very rarely, a portion of University extended leave time may be for activities directly related to work on the project and may be authorized. In order to be charged to a project, the sponsor must be notified of the extended leave and must authorize the leave payments. Justification for the specific proportion of salary

charged must be included with the exception request.

Extended leave, during the period of the award, even when salary is not charged to the agreement, should be reported to the sponsor and may require sponsor approval. The sponsor may disallow costs or require termination or suspension of an award or take other actions due to the “absence” of the PI or other key personnel if not approved.

Short term leave (fringe benefits – sick leave, vacation time, holidays, etc.) is normally authorized as a direct cost when in conformance with University business practices.

### **Scholarships, Stipends, Tuition/Fees and other Student Aid Costs**, UG 200.466

Normally student aid is not allowed as a direct cost except for authorized institutional training programs, some individual fellowship programs, and financial aid agreements.

Tuition remission may be charged on a research project as a direct cost, for a graduate student, when it is part of the assistantship package for a student working on the project. In that case, tuition remission is considered payment in lieu of compensation and is part of the total remuneration for the student. Costs may only be charged to the sponsored project in proportion to the student’s overall assistantship package and assignment to the project.

The total remuneration (compensation and tuition) received must be in conformance with sponsor policies and the student’s total remuneration must be reviewed and justified as reasonable compensation for the work to be performed under the project. (See also ECU Graduate Assistants Policy.)

Tuition remission for undergraduate students is not normally allowed, except when part of a sponsor approved undergraduate training program. Tuition remission cannot be used to compensate undergraduate students working on a project.

Students working on a sponsored project normally should receive payment through compensation/salary procedures; not scholarship or tuition payments. However, a combination of compensation/tuition remission may be used for graduate assistants. When establishing compensation/tuition amounts, the total package amount must be reviewed for a sponsor’s published maximum and reasonable and necessary cost criteria.

For example: For HHS awards, a graduate student’s total remuneration package (combination of all compensation and tuition remission/scholarship) may not exceed the compensation table/rate established for NIH Post-Doctoral Trainees (0-year).

“University Fees” may not be charged to a sponsored project. However, special use or course fees and other appropriate costs may be included as part of the student’s remuneration package. (See detail of University fees and other tuition/fee information on the on Cashier’s website <http://www.ecu.edu/cashier/tufee.cfm>)

### **Scientific/Technical Service Fees**

Costs for internal service activities, through an approved service center mechanism, with consistently applied rates to all users, are normally allowable.

Costs for external vendor/consultant services are normally allowable.

Fees for the service of “individuals” are not normally allowable except as authorized under either the consulting or subagreement procedures.

**Selling and Marketing Costs for Services of Goods**, UG 200.468

Unallowable as a direct or indirect cost unless specifically authorized by the sponsor as part of the necessary performance of the award.

**Severance Pay**, UG 200.431

Only allowed when required by law. Voluntary inclusion of a severance payment to a terminating employee is not allowed as either a direct or indirect cost.

When severance pay is required, the sponsored project can only be charged in proportion to the benefit earned from historical salary distribution. Proration must be based on the same methodology as for Terminating Vacation Leave (see below).

**Speaker Fees/Evaluator Fees**

Payment for services rendered is allowed when specifically related to the project activities. Payment may only be made for engagements specifically linked to the purpose and terms of the award. If the presentation is open to participation by individuals not specifically linked to the award, the costs must be prorated and cannot be charged solely to the sponsored project.

**Student Activity Costs**, UG 200.469

Unallowable as a direct or indirect cost.

On rare occasions, training projects may have an exception with specific sponsor authorization.

**Supplies**, UG 200.453, 200.20, 200.58, 200.94, 200.314, and other sections.

Supplies are defined as any tangible property or materials with a unit value of less than \$5,000.

Medical/scientific/technical/laboratory materials such as chemicals, gases, glassware, scientific software, pharmaceuticals, animals, etc., are normally allowed as a direct cost.

General purpose or multiple purpose supplies such as paper, pens, computer supplies, non-scientific software, calculators, cameras, etc. are normally not allowed unless specifically approved. Expenditures must be based on an exceptional need and the mitigating circumstances of the program activities. All general purpose supplies are normally F&A – Will require an exception authorization for a direct cost.

Costs for computing devices (includes accessories, IPADs, peripherals, etc.) are normally allowed, under the following circumstances:

- When the need is essential for the outcomes of the project, as justified and included as part of the sponsor’s budget, and the cost can be appropriately allocated based on anticipated use. Care should be given to account for any non-project specific us and costs should be allocated accordingly. And,
- The project does not have reasonable access to other devices or equipment than can achieve the same purpose; devices may not be justified or purchased based on reasons of convenience or preference.

If the cost was not included in the sponsor approved budget, it will require an exception authorization or will normally be F&A. Please note, computing devices are subject to the residual closeout calculation and refund process described below.

Micro-purchases as defined by UG 200.88, 200.320 and FAR 48 CFR 2.1 and 41 USC 1908 are simplified acquisition threshold items with a unit value between \$3,000 and \$5,000, regardless of the useful life defined for the item. Micro-purchases must include a competitive pricing review as part of the documentation for the purchase approval. The same type of documentation and justifications are required for micro-purchases, as are normally required for capital equipment items (\$5,000 or more unit value and useful life of one year). Documentation of competitive pricing must be maintained by the PI/DA regardless of what method was used for the purchase. (See also OGC policies/procedures for micro-purchases.)

Supplies should not be purchased in the last 90 days of the project unless receipt, use and direct immediate need and benefit to the project are documented. Supplies should not be stock piled for use after the termination of the award. Supply purchases will not normally be approved in the last 30 days of the project without exceptional justification.

For federal awards, as part of the closeout process, the PI must certify the dollar value of the remaining supplies originally purchased under the award (UG 200.314). If there is a residual inventory of unused supplies that exceeds \$5,000, the award must be refunded for the appropriate share. Items may be retained for use on other federal projects or for other activities or they may be sold/returned for a refund but, in all cases, the original award must be refunded for the cost of the unused supplies.

#### **Taxes**, UG 200.470

ECU, as a governmental entity, is normally exempt from sales tax. Sales tax should not be paid or reimbursed from a sponsored project except for unusual circumstances (e.g., out of area purchases) where the purchase cannot be processed through normal institutional practices which include exemption from sales tax or where the institution normally pays the tax regardless of fund source.

Value Added Tax (VAT), sometimes charged by foreign entities for purchases or services, are allowable provided the item/service purchased is allowable under the terms of the award and appropriate justification for the use of the foreign source has been documented. The VAT must be included in the competitive pricing review when determining if a foreign or a U.S. vendor will be used for a purchase.

All other taxes are normally processed at the institutional level and would not normally be charged as a direct cost or to an F&A fund.

**Telephone, Fax and Internet** (All but long distance is normally F&A – Will require exception authorization for a direct cost.)

Long-distance charges which can be directly allocated to the specific activity or project are normally allowable as direct costs. Appropriate allocation documentation must be maintained.

Local charges or the basic cost of having available telephone/fax/internet/pager/cell phones equipment, supplies or services are normally F&A and are not allowed as a direct cost unless approved on an exception basis.

#### **Terminating Vacation Leave**, UG 200.431

Vacation leave payout, as required by Human Resources policies are allowable as a direct cost in proportion to

the amount earned from the sponsored project. The established salary distribution for the month of termination may not be the same as the distribution when the leave was originally earned. At time of payout, a two year employee salary history will be reviewed and the sponsored project will only be charged leave payout in proportion to the salary history. (See also OGC Terminating Leave policies/procedures.)

### **Transportation Costs**, UG 200.473

In-bound standard freight, postage, cartage and other transportation costs related to manufacturer or vendor shipped goods purchased is allowable when included as part of the goods/equipment/supplies purchased and the purchased good is an allowable cost. Costs would normally be included as part of the invoice for the item and would not normally be charged separately.

Express, overnight or other special shipping would only be allowable under extenuating circumstances such as spoilage or decay of the item shipped.

Out-bound see Postage.

All other transportation/shipping costs are normally F&A – Will require exception authorization for a direct cost.

### **Travel Costs and Vehicle Use Costs**, UG 200.474

Normally allowable when related to the specific needs of the project. Allowable only for individuals working on the project (or a named trainee or participant). Travel must be by coach class.

For federal awards, travel must be by U.S. Flag Carrier; regardless of price considerations. (See US Flag Carrier policy/procedures.)

Vehicle use costs may be included in travel costs when vehicle rental or mileage reimbursement is for approved travel for the project and is in accordance with University and sponsor guidelines. No other type of vehicle costs/purchase/maintenance may be charged to a sponsored project without specific authorization.

University policies may be more restrictive than sponsor requirements. Travel under sponsored projects must comply with all University policies and rates for reimbursement. When there is a difference between University and sponsor policies/rates the most restrictive policy will be applied to travel costs charged to the sponsored project.

All travel costs must be necessary and related to the scientific/technical needs of the project. No personal expenses, entertainment costs, souvenirs, excursions or alcoholic beverages may be charged to the sponsored project. No meals or other costs may be charged for individuals not working on the project.

It is very common for there to be award-specific restrictions or prior sponsor approval requirements for foreign travel.

### **Visas**, UG 200.463

Short term travel visas may be charged to the sponsored project if the purpose of the travel is directly related to the project activities. If the purpose of the travel or the travel costs are multi-purpose or split-funded, the visa costs charged must be allocated in proportion to the other activities benefited and travel



costs charged.

Fees associated with expedited and renewal processing are not allowable.

Visa costs may only be charged for ECU individuals working directly on the sponsored project. Visa costs cannot be paid for foreign visitors to the project although other travel costs or compensation may be allowable based on the specific award requirements.

Long term immigration visas may not be charged as either a direct or F&A cost.

## **ADDITIONAL INFORMATION**

### **Internal Controls**

For all sponsored projects, there is a requirement to provide assurance and documentation of adequate internal controls and appropriate expenditure reviews. In addition to the controls the University systems have in place and the published institutional policies and procedures, every department should have written internal procedures and practices that outline appropriate management, oversight and internal controls for financial transactions.

### **Conflict of Interest (COI)**

For all sponsored projects, there is a requirement for review of and declaration of potential conflicts of interest with respect to financial transactions, sponsored projects, contractual agreements (includes vendors, consultants and subagreements), related key personnel and other potential organizational conflicts of interest. PIs should identify any COI issues with their proposal submissions. Throughout the life of the project PIs and DAs should monitor for any COI issues that may occur as the project progresses.

### **Competitive Pricing**

For all sponsored projects, there is a requirement to review and document competitive pricing options for all purchases. Best management practice is to secure the best available price for any item/commodity/service purchased. The University has systems in place for specific competitive requirements based on certain cost thresholds and commodity types. However, it is the responsibility of all employees to help ensure that financial resources are not wasted and that all costs are reasonable and necessary, regardless of the purchasing method or the cost of the item.

**EXCEPTIONAL CIRCUMSTANCES – EXCEPTIONAL GUIDELINES**

The following outlines possible circumstances under which some costs normally defined as F&A costs may be charged as direct costs to a federally sponsored project. These costs should be explained and robustly justified in the proposal budget. These examples are not exhaustive nor are they intended to imply that direct charging would always be appropriate for the situations illustrated.

**Administrative/Managerial/Clerical Salaries/Wages/Benefits**

These costs may only be authorized for projects where the nature of the work performed requires an extensive amount of administrative or clerical support. The need for administrative/clerical services must be “integral” to the scientific/technical completion of the project and should not be for routine administrative support which might be needed for any project. Integral means that the services are essential, vital and fundamental to reach the project goals or activity, rather than needed for the overall operation of the project or institution.

Amounts should not normally be requested for less than .50 FTE as such levels could not normally be defended as integral to the outcomes of the project or justified as an extraordinary need.

The costs must be explicitly identified and justified in the proposal budget submitted to the sponsor. For modular proposals, this should be treated like a key personnel item that must be outlined and justified.

The sponsor must approve all administrative/managerial/clerical salaries, ECU cannot authorize such salaries outside of the sponsor approval process. Such costs might be appropriate for:

- Large complex programs such as Clinical Research Centers, Primate Centers, program projects involving multiple subagreements, Environmental Research Centers or Engineering Research Centers and other agreements that entail assembling and managing teams of investigators from a number of departments or institutions.
- Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature and reporting, such as epidemiological studies, large scale clinical trials and retrospective clinical records studies.
- Projects requiring travel and meeting arrangements for large numbers of participants, such as conferences.
- Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports or scientific manuscripts).
- 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, large scale database management, individualized graphics or manuscript preparation, human or animal protocols, IRB preparations and/or other project-specific regulatory protocols and multiple project- related investigator coordination and communications.

## General Purpose Equipment and Supplies

Specific items may be appropriate as a direct cost when the PI certifies that the item is necessary for the unique scientific/technical tasks of the specific agreement and is not for general usage and items requested are outside of the normal needs or resources of the department. Examples:

### Equipment

- (1) A freezer, which will be used primarily to store project related samples and freezer space is not otherwise available or needed for activities within the department.
- (2) A photocopier or fax normally services many diverse functions and projects and would not usually be appropriate as a direct cost. However, a copier/fax located off-site or specifically dedicated to the specific needs of a large monograph and publications project might be appropriate.

### Office Supplies

Extraordinary costs for office supplies used specifically for the technical/scientific needs of the agreement may be appropriate as a direct cost.

- (1) Paper, envelopes or computer paper, used as part of a survey mailed to hundreds of participants in a large epidemiological study may be appropriate.
- (2) Paper, envelopes or computer paper used as part of the administration of the project or for routine correspondence with sponsor or collaborators or publications would not be appropriate.

### Postage

Extraordinary costs for postage, Federal Express or courier directly related to the scientific/technical needs of the agreement may be appropriate. Examples:

- (1) Costs of shipping necessary project samples to a laboratory or a collaborator, for analysis, may be appropriate.
- (2) Costs for mailing large epidemiological surveys to hundreds of participants may be appropriate.
- (3) Shipping costs for returning a piece of equipment to a vendor or a collaborator may be appropriate, if the item was originally purchased or used on the agreement.
- (4) Costs for routine correspondence with collaborators or mailing proposals, manuscripts or reports would not be appropriate.

### Subscriptions/Books/Periodicals

- (1) Costs may be appropriate as a direct cost when the PI certifies that the publication is a necessary requirement for the scientific/technical completion of the specific agreement and that it does not benefit other agreements or general activities. (This situation would be extremely rare.)
- (2) An exception may also be appropriate for training agreements where the publication purchase is for a trainee and the publication is an integral part of the trainee's planned program.
- (3) Publications that provide a general benefit to research, lab and teaching activities would not be appropriate as a direct cost. The use must be specific to completing project goals.
- (4) Publications that are available through library services would normally not be appropriate as a direct cost.

## Telephone

- (1) The cost of telephone lines may be appropriate for a project requiring extensive telephone surveying where the function of specified staff is dedicated to telephone surveying respondents. Costs would only be permitted for the dedicated lines not for all telephone services supporting the project.
- (2) Telephone costs would not be appropriate where the purpose is to provide general telephone accessibility to staff or a space/lab; even if their job duties are related to project activities.
- (3) Pagers or cellular telephone costs may be appropriate for an individual whose primary task is to travel from location to location to gather data or conduct patient surveys and that individual must maintain contact on a continual basis, with participants, as part of the specific needs of the agreement. Costs would only be allowable based on the pager/cellular telephone use being dedicated solely to the needs of the project. In the case of an individual who has multiple duties or works on several agreements or where the pager/cellular telephone is not an integral part of the specific tasks associated with the agreement, costs of a pager/cellular telephone would not be appropriate as a direct cost.
- (4) If the pager/cellular is needed primarily because the person needs to be routinely reachable by other staff or to the main office, such costs may not be directly charged to a sponsored agreement.

SEE THE OGC WEBSITE FORMS TAB FOR THE MOST CURRENT VERSION OF THE FORM

**COST PRINCIPLES - COST EXCEPTION REQUEST**

**TO:** Office of Grants & Contracts, Suite 2900 Greenville Centre

**FROM PI/Dept:** *Example: John Jones, Public Health*

**RE:** AWARD/FUND: *Example: Fund 210885, NIH R01AI12345*

**ITEM:** *List category and cost of items for which an exception is requested (e.g., general purpose equipment, books/subscriptions, postage, local telephone or telephone equipment, etc.). If more than one category is requested, provide detail for all items. If retroactive approval is requested, list specific details and attach a copy of the cost transaction document or Banner printout. If costs are anticipated to be on-going request projected amount for the life of the award.*

*Example: Postage, \$500, for full 3 year period of the award.*

**JUSTIFICATION:** *Provide information about why the item is being requested and outline the exceptional circumstances for the cost. Only those items that meet the exceptional project circumstances and unique need based on specific project objectives will be approved. Routine operating needs and small value amounts will not normally be approved.*

*Postage Example: This project is a diabetes study that involves sending survey materials, every 6 months, to 150 or more study subjects. Postage is needed to send surveys, provide return postage, send reminder notices, send follow-up survey questions, etc. It is estimated that there will be the need to mail information or materials to each participant at least 5 times during the period of the award.*

**CERTIFICATION:**

I have read the ECU cost principles policy and understand that these costs are not normally allowed as a direct cost. The costs requested are an exception and are based on unique circumstances of the technical activities of the project. The costs approved will not be used for routine business purposes but only for the specific purposes outlined in this justification. I understand that OGC approval does not guarantee that costs will be allowable in the event of a potential audit and that all exceptions may be subject to additional sponsor review and audit. I understand that the costs will need to be transferred to a non-sponsored fund if not approved by OGC or if disallowed by a sponsor review or audit.

**SIGNATURES:**

\_\_\_\_\_  
PI Date

\_\_\_\_\_  
CHAIR/DIRECTOR Date

\_\_\_\_\_  
DEAN Date

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Approved/Disapproved by OGC. \_\_\_\_\_ Date

Maximum amount authorized this request \_\_\_\_\_



