

Direct Costs

Expenditures on sponsored projects should go through normal departmental approval procedures. All expenses charged to a sponsored project must be reasonable, allowable, allocable and necessary for the conduct of the sponsored project. An expenditure that would not be allowable with university funds would not be allowable on a sponsored project. Furthermore, some funders impose greater restrictions than University policy on how sponsored project funds may be spent.

The allowability of costs is determined by university policy and federal regulations. University policy is governed by State of Ohio law. Federal cost principles apply to grants, contracts and cooperative agreements. These cost principles are detailed in [OMB 2 CFR 200 Subpart E](#).

All charges to a sponsored project must be reasonable in nature; directly benefit the sponsored project; reasonably correlate to the project's timeline; treated in a manner consistent with other costs of the same type; and in conformity with applicable governmental and/or sponsor regulations and university policy. When there are inconsistencies the most restrictive regulations of federal, state, university or agency must be followed.

Definition of Direct Costs

Direct costs are those costs that can be identified specifically with a particular sponsored project, or that can be directly assigned to such activity relatively easily with a high degree of accuracy. Direct Costs should factor in any costs that reduce or offset direct cost amounts, such as rebates, discounts, etc.

Criteria for Determining Allowability of Direct Costs

For purposes of determining whether budgeting or charging a certain direct cost on a sponsored project would be appropriate, principal investigators, departmental business officers and/or grant administrators should be familiar with the criteria used to define "allowable direct costs." The cost must:

1. Be **reasonable**, i.e., the cost is generally recognized as necessary for the performance of the project and is one that a prudent person would consider reasonable given the same set of circumstances;
2. Be **allocable** to the sponsored project, i.e., the cost is incurred for the benefit of only one project, or the item can be easily assigned to multiple benefiting projects. A specific project may only be charged that portion of the cost that represents the direct benefit to that project;
3. Be **treated consistently** with other similar costs incurred in like circumstances in accordance with generally accepted accounting principles; and
4. **Conform to any limitations/exclusions** stated in generally accepted accounting principles or in the sponsored agreement, i.e., the cost must be **allowable** and not designated as **unallowable** by regulation or sponsored project specific award conditions.

Cost Benefits Two or More Projects

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. However, this allocation cannot be used to eliminate cost overruns.

Examples of Allowable Direct Costs

Salaries, Wages and Fringe Benefits – Salaries, wages, and fringe benefits of personnel working directly on the sponsored project, such as faculty, postdoctoral associates, graduate assistants, and other staff, are allowable as are the related fringe benefits. Current employees who will be assigned to the sponsored project activity will need to have revisions made in their appointments to reflect their effort on the sponsored project. When new employees are to be hired the PI, working through the department, must comply with Human Resources policy and procedures.

As a standard rule, secretarial and clerical personnel are not allowable costs as they are included in the indirect cost rate calculation. Only when such positions have been requested and justified in the proposal budget and approved in the award can they be charged to a sponsored project.

Certification that employees paid with sponsored project funds actually worked on these funded activities is required. Periodically, either monthly (hourly personnel) or at the end of each semester (faculty and professional staff), the PI is responsible for ensuring the Effort Certifications are reviewed, signed and returned.

Supplies/Services – Purchases that are necessary for performing the sponsored project's scope of work and are allowable should be charged directly to the sponsored project fund/index whenever possible. Receipts for purchases that appear on monthly purchasing statements are to be retained by the department for audit purposes. Copies of receipts should be maintained by the PI and the department.

Details about payment processing procedures along with University payment forms are available [here](#).

Travel – Travel costs for KSU employees are reimbursed to the traveler and charged to the sponsored project fund/index using the on-line Expense Statement available as a workflow in the My Action Items tab in Flashline. All travel must conform to KSU travel regulations and be submitted for reimbursement upon completion of travel. Expense statements submitted for reimbursement must specify how the travel directly benefitted the sponsored project and include original receipts according to university policy (or less if required by the sponsoring agency). An official conference document that indicates the lodging rate for that site must also be included. Reimbursement for lodging, meals and mileage are in accordance with KSU policy. Travel by air is at the lowest fare possible and must follow the Fly America Act. See [Accounts Payable](#) for information about current rates.

Consultants /Independent Contractors – The services of consultants may be required to accomplish a specific portion of the project work. The consultant may be a member of a profession or a person possessing special skills who is not a Kent employee. Ordinarily a consultant may not be a university

employee, Funding agencies allow consultants if their area of expertise and anticipated cost are included in the proposal.

Please refer to the [Accounts Payable Independent Contractors](#) page for information and instructions regarding how to hire and pay Independent Contractors.

Foreign nationals can only receive payment if their visa status allows the receipt of such payment. For further information contact the Payroll Office at 672-8641.

Details about payment processing procedures along with University payment forms are available [here](#).

Equipment – Equipment is defined in accordance with University policy as an article of personal property having a useful life of more than a year and a minimum acquisition cost of \$5,000. When special purpose equipment is specified in the proposal budget, further approval is generally not required. If the approved budget does not detail the purchase, prior approval must be sought through Sponsored Programs, using the [Institutional Prior Approval form](#). Documentation of the approval must be provided to Grants Accounting. In accordance with University policy acquisition of special purpose equipment costing in excess of \$25,000 must be in compliance with the bidding process.

Special purpose equipment is used only for specific research, medical, scientific, or other technical activities and is an allowable cost to a funded project. General purpose equipment is not limited to specific research purposes and cannot be charged to a sponsored project fund/index without specific approval using the [Indirect Cost Charge Exception form](#). Examples of general purpose equipment would be computers, office machines, furniture, air conditioners, and vehicles.

Other costs - Other costs that are typically allowable include subawards, repairs, maintenance, fees and services, long distance telephone expenses, copying services, and postage services used in the performance of the project, service/maintenance agreements on capital equipment approved by the sponsor (or internally approved if allowed by the sponsor).

Examples of Non-Allowable Direct Costs

Unallowable costs are outlined in the [OMB 2 CFR 200 Subpart E](#). Selected unallowable costs are listed below. Some costs may be allowable dependent upon the specific objectives of the sponsored project:

Advertising costs are unallowable unless they are necessary to meet the requirements of the sponsored project. Allowable costs might include advertisements for recruitment of grant personnel; subjects for research; and procurement of goods or services.

Airfare in excess of the lowest available commercial airfare or customary standard coach airfare, except in special circumstances such as compliance with the Fly America Act.

Alcoholic beverages unless directly related to the research objectives of a sponsored project.

Alumni activity

Bad debts/over expenditures on other sponsored agreements

Commencement

Contingency provisions

Depreciation reserves

Donations or contributions

Entertainment costs unless specifically allowed by program regulations

Food unless on travel status

Gifts

Goods and services for personal use

Housing and personal living expenses unless on travel status

Insurance and Indemnification

Interest

Lobbying

Losses/over expenditures on other sponsored agreements

Memberships, subscriptions, and professional activity costs. (Institutional memberships and subscriptions are allowable).

Postage/Copying –Routine mailings and copying are ordinarily not allowable charges to sponsored projects. Projects that have specified and justified the need for these items in the proposal as essential to the project can be charged to the sponsored project fund/index (an example would be a mass mailing to subjects). These expenses should be incurred at an external service

Pre-agreement costs - Costs incurred prior to effective date of sponsored agreement unless specifically approved by sponsoring agency.

Public relations

Salaries of individuals engaged in routine departmental or administrative work that benefits all activities of the department (instruction, research, training, public service, etc.), i.e., there is no direct relationship to a specific sponsored project's scope of work.

Selling and marketing costs

Severance costs in excess of Kent's normal severance pay policy

Student activity costs unless specifically approved in program regulations

Supplies and materials - Office supplies that are normally used in the general administrative support of a project may not be charged to the award. Office supplies that are used for project-specific activities outlined in the proposal may be included in the budget and charged to the project. Because many types of office supplies are used for both general administrative support and project-specific activities, it is important that these items, when included in the budget, be justified in terms of their relevance to the methods used in conducting the project. Supplies and materials for routine departmental or administrative activities that benefit all activities of the department (instruction, research, training, public service, etc.), i.e., there is no direct relationship to a specific sponsored project's scope of work, are not allowable. An example would be general office supplies. Also typically unallowable are general office items with multi-functional use such as office computers, fax machines, answering machines, staplers, hole punches, filing cabinets, chairs, desks, calculators, waste baskets, etc., that do not have a direct relationship to a specific sponsored project's scope of work.

Telephone – Basic telephone service is ordinarily not allowed as it is part of the indirect cost rate calculation. Only the cost of toll calls associated with the specific project can be charged to the sponsored project. The PI must keep a log as documentation that supports the charge to the sponsored project fund/index. The cost transfer request should be done monthly (see cost transfer section of the manual). Cell phone service is only permissible when authorized by the sponsored project. Personal use of the phone is not allowed. Documentation of the business use of the phones must be approved by sponsored programs annually.

Other costs such as travel, repairs, fees and services, local telephone expenses, copying and postage that are for routine departmental or administrative use, and do not have a direct relationship to a specific sponsored project's scope of work.

Exceptional Circumstances - Non-Allowable Direct Costs

Justification and approval is required to direct charge administrative and clerical salaries and other administrative-type expenses. In addition to meeting the definition of exceptional circumstances, costs must be specifically identifiable to a particular sponsored project, be reasonable, allowable and allocable. An [Indirect Cost Charge Exception form](#) should be completed and approved by the Department and Sponsored Programs.

Purchase of Personal Computers and Electronic Devices

Recent changes in Federal regulations as outlined in Uniform Guidance have allowed awardees more flexibility to charge computers to sponsored projects as direct costs. As a result of these changes, prior approval to purchase a computer to be used on a sponsored project is no longer required. The flexibility does not remove our responsibility to use funds wisely and be compliant with an award's terms and conditions. If you desire to purchase a computer with sponsored project funds, please keep these points in mind:

- The expense should be included in your proposal budget and budget justification when possible.

- Verify that the terms and conditions of your award allow for the purchase before making it.
- Make sure the computing item you wish to purchase is essential to the project and be able to answer these types of questions if asked: What benefit to the project does the purchase provide? What activities will be conducted with the purchase? What is the impact on the project if the item is not purchased?
- Make sure the cost of the item is reasonable and ensure you can explain why it is reasonable to you. Would a prudent person consider it a reasonable purchase? Would you pay this price if it was a personal purchase?
- Make sure the cost of the item you wish to purchase is properly allocated to the project. For example, if a purchase will be used by two projects 50% of the time, its cost should be split 50/50 between the two projects.
- Make sure the project does not have reasonable access to already existing resources that may achieve the same purpose as a new purchase. Computing devices are not to be purchased for reasons of convenience, preference, or to spend down remaining funds.
- If the cost is greater than \$5,000, the item is considered capital equipment.

Contact Information

Office of Sponsored Programs

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Controller's Office, Grants Accounting

Phone: (330) 672-2392