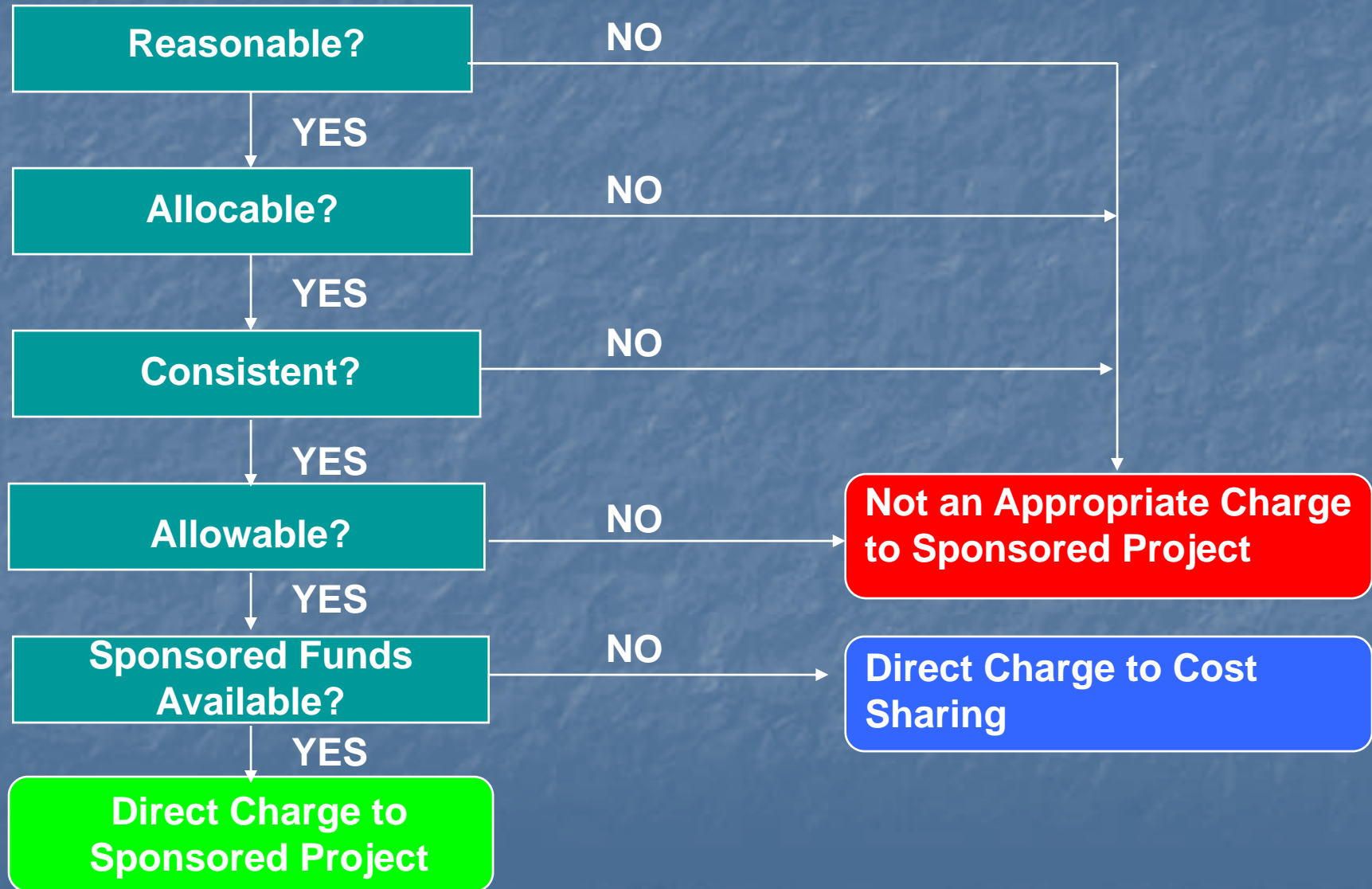


# Direct Charges to Federally Sponsored Projects

December 2007

# Direct Charges Flowchart



# Reasonable

“A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a *prudent person* would have taken under the circumstances prevailing at the time the decision to incur the cost was made.”

(OMB Circular A-21, Section C.3)

# Allocable

Costs incurred for the benefit of only one project *or* costs that can easily be assigned to multiple projects which benefit.

A cost is considered allocable if the goods or services involved are assignable to the sponsored project in accordance with the relative benefits received by the project.



# Consistent

A cost charged to a federally-sponsored project should be given treatment consistent with the treatment such a charge would receive if it was charged to a non-federal funded project.

It doesn't matter *what it is*. What matters is *how it is used*.

# Consistency Example

## - Supplies

(i.e. paper, file folders, pencils, diskettes)

	<b>Circumstance 1</b>	<b>Circumstance 2</b>
Item purchased	Paper	Paper
Type of Grant	Research	Research
Nature of Use	Develop and print mass number of surveys to collect research data	Print final technical and progress reports
Identification with sponsored work	Unique to scope of work	Routine administrative work
Is it OK?	Yes – per CAS and VU direct charge guidelines	No – per CAS and VU direct charge guidelines

# Consistency Example

## - Administrative Support

	<b>Circumstance 1</b>	<b>Circumstance 2</b>
Item purchased	Administrative support	Administrative support
Type of Grant	Research	Research
Nature of Use	Data entry of research data	Typing of correspondence, journal articles, progress reports, etc.
Identification with sponsored work	Unique to scope of work	Routine administrative work
Is it OK?	Yes – per CAS and VU direct charge guidelines	No – per CAS and VU direct charge guidelines

# Consistency Example

## - Copying

	<b>Circumstance 1</b>	<b>Circumstance 2</b>
Item purchased	Copying	Copying
Type of Grant	Research	Research
Nature of Use	Copy and disseminate materials created as part of the scope of work on the grant	Copy journal articles of general interest in your field
Identification with sponsored work	Unique to scope of work	Routine administrative cost
Is it OK?	Yes – per CAS and VU direct charge guidelines	No – per CAS and VU direct charge guidelines



# What is an Allowable Cost?

- Sections C, D and J of OMB Circular A-21 deal with direct costs, allowability, and unallowable costs.
- Cost Accounting Standards (**CAS**) regulate consistency in reporting costs, allocating costs incurred for the same purpose in like circumstances, and accounting for unallowable costs.
- In accepting a federally-sponsored grant or contract, Vanderbilt agrees to abide by certain federal rules and regulations regarding the use of the funds.

# Allowable

A cost is considered allowable if the cost meets the three tests above and is considered allowable according to the award agreement, Generally Accepted Accounting Principles (GAAP) and other applicable regulations.

(See pages 12-14 of VU Guidelines for Budgeting and Charging Direct Costs for additional information.)

# Accounting for Unallowable Costs

Many costs which are specifically identified as unallowable for federally-sponsored grants or contracts may be allowable if paid for from institutional or non-federal funds.

Federal regulations specifically prohibit many costs from being charged to federally-sponsored grants or contracts.



# Specifically Prohibited Costs

- Advertising for general promotion of University
- Alcoholic beverages
- Fundraising
- Antiques
- Bad debt writeoffs
- Charitable contributions
- Commencement expenses
- Decorative Objects
- Entertainment
- Fine/original Art
- Fines and penalties
- First- class/business class travel differentials



# Specifically Prohibited Costs

- Flowers
- Gifts and Awards
- Goods or services for personal use
- Lobbying
- Membership in airline travel clubs
- Selling or marketing products or services of the University
- Social events
- Membership in civic, social or country clubs

# Useful Links

## **OMB Circular A-21**

<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

## **OMB Circular A-110**

<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

## **OMB Circular A-133**

<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

## **VUMC Effort Reporting Policy**

<http://finweb.mc.vanderbilt.edu/AcadRes/GiftsGrantsCont/Policy.asp>

## **VU Faculty and Staff Online Effort Training**

<http://www.webinservice.com/vanderbilt/>

## **VU Salary Cap Guidelines**

<http://finweb.mc.vanderbilt.edu/AcadRes/GiftsGrantsCont/Policy.asp>

## **Direct Charge Guidelines**

<http://www.vanderbilt.edu/ocga/vupolicies/directcost/directcost.htm>

## **NIH Grants Policy Statement – Selected Items of Cost Section**

[http://grants.nih.gov/grants/policy/nihgps\\_2003/NIHGPS\\_Part6.htm](http://grants.nih.gov/grants/policy/nihgps_2003/NIHGPS_Part6.htm)