Direct Charging

Direct v. Indirect Costs

September 2014
Grantees must exercise proper stewardship over federal funds and ensure that costs charged to awards are allowable, allocable, reasonable, necessary and consistently applied regardless of the source of funds.
The Rules

Where do we find the guidance to properly allocate costs on our sponsored projects?
OMB Circular Cost Principles

Establishes the principles for determining costs applicable to grants, contracts and other agreements. Describes the basis for calculating F&A costs, and provides a listing of specific cost items and their allowability.
Institutional Policies

University of Oregon Internal Controls: Costing decisions should also follow all applicable UO policies.
Sponsor Specific Guidelines
Yes, more rules to know...

Most sponsors have their own rules that apply to their awards, regardless of funding source.

They are typically incorporated by reference in the award document. Find the references and research the policies.

It is important to be familiar with these guidelines, in particular sections on unallowable costs, budget deviations, etc.

Even between federal sponsors these basic regulations can vary; and between departments of the same agency.

Sponsors may choose to follow another agency for most of their guidelines, and then add a short list of their own restrictions.
RED FLAGS  INAPPROPRIATE PRACTICES

- Charging to a project nearing completion without regard to the appropriateness of the expense on the project.
- Spending simply to ensure the award is fully expended.
- Overspending the award.
- Miscoding or misrepresenting a charge. Charging costs without proper documentation.
- Charging budgeted amounts rather than actual amounts. Assigning charges before the costs are incurred.
Reminders

Remember that cost shared expenses must follow the same standards as direct costs to the projects; follow the sponsor requirements.

A cost is not necessary allowable simply because it was included in the proposal. The costs still need to be evaluated by all of the rules we covered in this session.

Lots of our examples relate to the purchase of items or services, but these standards apply to payroll expenses as well.

Always include expense details and a statement of how it is allowable, allocable, and necessary for the project in the document text of any payment document (travel, AP, JV, PAA).

Contact your SPAs for questions, assistance and/or support in costing decisions.
Want the rest of the story?

Please sign up for the full training session on Thursday, September 18th!