

Direct Cost Charging Policy

Purpose of policy

In order to comply with 45 CFR 74-Appendix E requirements for costing on federally funded projects for Hospitals, Lurie Children's Hospital has established the following policy for charging costs to all sponsored projects. It is the responsibility of Principal Investigators, Project Coordinators, Department Heads, Division Heads and other administrators to understand and comply with institutional and federal regulations.

I. Direct costs

This Policy applies to all sponsored projects regardless of funding source.

Direct costs are those costs that can be identified specifically with a sponsored project, or assigned to the project with a high degree of accuracy. Costs incurred for the same purposes in like circumstances must be treated consistently as either direct costs or indirect costs. The federal costing principles state that in order for charges to be allowable on sponsored projects as direct costs, the cost must be reasonable, allocable, consistently treated as direct charges, and not specifically identified as unallowable. Therefore, the cost **must meet all** the following conditions:

- The cost must be reasonable and necessary for the performance of the project.
- A prudent person conducting the work would spend funds in this manner under the same circumstances.
- At the time of purchase, cost must be allocable to the project, meaning the goods or services involved are chargeable to the project in relation to the benefits received. If the cost benefits more than one project, each project may be charged only for that portion of the costs representing the benefit received by the sponsored project.
- Direct charges to the sponsored project must be applied consistently in like circumstances as a direct charge for all sponsored projects. A particular cost item may not be charged as a direct cost on some projects and as indirect costs on other projects, unless sponsor has granted specific approval in award documentation. This must be signed off by Office of Sponsored Programs Institutional Official.

- A project may not be directly charged for any item specifically disallowed by 45 CFR 74 Appendix E, agency-specific guidelines or the award document.

A. Examples of unallowable charges

- Assigning charges to sponsored projects in advance of the time the cost is incurred.
- Assigning charges that are part of the normal administrative support for contracts and grants (proposal preparation, accounting, payroll, etc.).
- Charging the budgeted amount rather than charging an amount based on actual usage.
- Charging a cost exclusively to a sponsored project, when it also benefits non-sponsored activity.
- Charging overdraft expenses or deficits from one project to another.
- Charging travel costs for employees not specifically identified as working on the project.
- Charging sponsored projects to spend down funds without regard to the benefit derived from the cost.
- Identifying a cost as something other than what it actually is, such as classifying an item of equipment as a supply.
- Charging excessive costs in final months of projects. These must meet the criteria of reasonable, allocable and consistently treated in like circumstances.
- Spending outside of budget categories is subject to review by OSP and OSPA approval.

B. Unallowable costs

- Expenses unallowable for sponsored project reimbursement
- Advertising for purposes other than patient or employee recruitment.
- Gifts and cash donations, other than approved patient incentives
- Alcoholic beverages
- Entertainment
- Fundraising or lobbying costs (including travel and meals)
- Fines and penalties
- Certain travel costs, please refer to travel policy:
<http://portal2/sites/lcpp/Finance%20Administrative%20Policies/Forms/AllItems.aspx>
- Memberships in civic, community or social organizations, or dining or country clubs
- Goods or services for the personal use of employees, including automobiles
- Meals for internal meeting costs (i.e. lab meetings, employee held meetings)

- Bad debt
- Personal Computers and other electronic devices (see [Lurie Children's Hospital Policy on the Purchase of Personal Computers and Other Electronic Devices on Sponsored Programs](#))

II. Allowable costs charged directly or through the F&A rate

In order to comply with the federal implementation of 45 CFR 74 Appendix E and the Cost Accounting Standards Board requirements, the policy is to charge the following types of costs as either Direct or Indirect costs. Questions regarding normally indirect cost items should be directed to OSPA.

A. Direct costs

- Non-administrative salaries, wages and fringe benefits:
 - Principal Investigators
 - Researchers (Research Assistant, Research Associate), Project Coordinators, Research Nurses, , Data Coordinator
 - Graduate Students,
 - Consultants
- Travel – related to a project for employees paid or cost sharing on the sponsored project
- Laboratory, technical or project supplies
- Repair & maintenance - on equipment purchased with project funds
- Research patient care cost (inpatient/out patient)
- Advertising for project related recruitment, both employee and patient

B. Normally indirect costs

- Administrative salaries, wages and fringe benefits:
 - Accountants
 - Sponsored Programs Staff
 - Secretarial & Clerical
 - Departmental Administrators
- Telephone line charges, cell phones, and pagers unless specifically approved by sponsor.
- General office supplies, data processing supplies

- Repair and maintenance on equipment purchased with institutional funds; unless charged as part of an approved service center rate
- Subscriptions, unless approved by sponsor
- Advertising for non-recruitment or fundraising purposes