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I. PURPOSE
In compliance with 2 CFR Part 200, Subpart E – Cost Principles, the University has established written policies, procedures, and practices that cover the programmatic conduct of and the administrative and financial management for sponsored programs. This policy specifically addresses the requirements that charges to a sponsored project should support the project's purpose and activity and represent those costs necessary to meet the project's scientific and technical requirements.

All costs must be reasonable, allocable and necessary to the performance of the work. This policy further details the criteria for determining direct and indirect costs of a sponsored project.

II. SCOPE
The operation of any enterprise involves costs that pertain to a specific project, as well as general costs. For administrative and accounting purposes these costs are grouped into two categories, 1) Direct and 2) Facilities and Administrative (i.e., indirect). The regulations for ascertaining the costs of federally-sponsored research at educational institutions are set forth in the Code of Federal Regulations, Part 2, Section 200 (2 CFR 200), “Uniform Administrative Requirements, Cost Principles, and Audit Requirements
for Federal Awards" (Uniform Guidance). The Circular establishes principles for
determining costs applicable to sponsored agreements, contracts, and other agreements
with educational institutions. Refer to the eCFR to view 2 CFR 200.
Note that for federal awards issued prior to December 23, 2014, the regulations are set
forth in the Office of Management and Budget (OMB) Circular A-21: Cost Principles for
Educational Institutions.

III. DEFINITIONS
Reasonable Cost: A cost is considered reasonable if in its nature and amount, it does not
exceed that which would be incurred by a prudent person under the circumstances
prevailing at the time the decision was made to incur the cost.

Allocable Cost: A cost is allocable to a particular sponsored project if the goods or
services involved are chargeable or assignable to the project in accordance with the
relative benefits received. This standard is met if the cost:
(1) Is incurred specifically for the Federal award;
(2) Benefits both the Federal award and other work of the non-Federal entity and can be
distributed in proportions that may be approximated using reasonable methods; and
(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part
to the Federal award in accordance with the Cost Principles in Subpart E.

Direct Costs: 2 CFR200.413 states direct costs “are those costs that can be identified
specifically with a particular final cost objective such as a Federal award, or other
internally or externally funded activity, or that can be directly assigned to such activities
relatively easily with a high degree of accuracy.”

Facilities and Administrative (F&A) costs (Indirect Costs) are defined in 2 CFR 200,
Appendix III as "those that are incurred for common or joining objectives of the
University and, therefore, cannot be identified readily and specifically with a particular
sponsored project, an instructional activity or any other institutional activity."

IV. POLICY STATEMENT
As a steward of external funds, Villanova applies the general principles described in this
policy to all sponsored programs; however, specific items of cost are subject to the
requirements and written authorizations of each individual sponsor.
Principal Investigators, Departments and Colleges, and in some specific instances The Office of Research Administration (ORA), should review costs to ensure that they are allowable and allocable to a project. Size, nature and complexity of sponsored agreements, although not the final determining factor, are in the aggregate important considerations in determining unlike circumstances. Unlike circumstances must be determined at the proposal phase, and documented as approved by ORA.

V. PROCEDURE

Factors Affecting Allowability of Cost
The following criteria must be considered in determining the allowability of a cost:

- Costs must comply with any limitations set forth in 2 CFR 200, Subpart E-Cost Principles, the Notice of Award, and the policies of Villanova University.
- Costs must be reasonable.
- Costs must be allocable to sponsored agreements under the principles and methods of 2 CFR 200, Subpart E-Cost Principles. For more information related to allowability of costs refer to the Villanova policy entitled Non-Reimbursable Expenditures for Federally Funded Programs.
- Cost Accounting Standards emphasize the importance of consistent application of cost accounting principles. Costs incurred for the same purpose, in like circumstances, must be treated consistently as either direct or facilities and administrative costs for all activities of the institution whether they are federally funded or not. Consistent treatment of costs is necessary to avoid inappropriate charges to the federal government or other sponsors when sponsored agreements are charged directly for specified costs, then charged again, through the University's facilities and administrative cost rate.

Direct Costs
2 CFR200.413 states "Direct costs are those costs that can be identified specifically with a particular final cost objective such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose, in like circumstances, must be treated consistently as either direct or indirect costs. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the
same purpose, in like circumstances, shall be treated as direct costs of all activities of the institution."

The above statement implies that charges to a sponsored project should support the project's purpose and activity and represent those costs necessary to meet the project's scientific and technical requirements.

**Additional Criteria for Determining Direct Costs**

- The cost must be included in the awarded budget, or the cost must be permitted within rebudgeting authority granted by the sponsor.

  When preparing applications for sponsored projects, the Principal Investigator is required to submit a detailed budget.

  This budget includes line items such as salaries and wages, benefits, travel, supplies and other direct costs. The award reflects approved budgeted items and becomes a part of the agreement between the university and the sponsor. Only those costs that are included in the budget or rebudgeted costs allowed by the sponsor should be charged. If the cost requires institutional and/or sponsor prior approval after the award is made, the approval must be secured before the cost is incurred. Documentation of such approval must be submitted to ORA.

- The cost must not be restricted by the sponsor:

  Costs that are restricted or unallowable as indicated in the award notice or sponsor guidelines may not be charged to a sponsored project.

**Acceptable Direct Costs**

Costs typically incurred as direct costs include:

- faculty, technical staff, and student salaries and fringe benefits
- animals and animal care
- consultants
- subcontracts
- travel
- service/recharge center
• technical or scientific equipment
• research supplies
• trainee costs
• off campus space rental

Important Note Regarding Computers: Section 200.453 of the UAR clarifies “In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.” Given that affirming the allocability of computers to grants is a high risk activity, Villanova requires that the budget clearly document and justify how the computer is essential and allocable to the project.

The purchase of laptops and other computers is allowable on sponsored projects in the following circumstances:

• in specific situations where the nature of the research requires a computer; e.g., the computer is specifically needed to record data in the field
• the computer must be used primarily on the award and the purchase cannot be prohibited or restricted by the sponsor
• the computer should only be used for programmatic purposes and non-project files or data should not be stored on the computer
• the computer may not be used for administrative support such as purchasing or grant management since these uses cannot be charged to a Federal award

Please refer any questions regarding the ability to purchase computers as a direct cost to ORA.

Unacceptable Direct Costing Practices
The following direct costing practices are unacceptable in assigning costs to sponsored agreements:

• Rotating charges among sponsored agreements by month without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored agreement.
• Assigning charges to the sponsored agreement with the largest remaining balance
• Charging the budgeted amount rather than charging an amount based on actual usage
• Assigning charges to a sponsored agreement in advance of the time the cost is actually incurred
• Identifying a cost as something other than what it actually is, such as classifying an item of equipment as a supply
• Manipulating a charge to a sponsored program to avoid another university policy
• Charging expenses exclusively to sponsored agreements when the expense has supported or partially supported non-sponsored activities
• Assigning charges that are part of normal administrative support (facilities and administrative costs) for sponsored agreements (e.g., accounting, payroll)

Allocation of Direct Costs Between Two or More Sponsored Agreements
If the cost is specific and benefits more than one project, the cost must be assigned or allocated to each project based on that portion of the expense that represents the direct benefit to each project. The University relies on the judgment of the principal investigator to determine the direct benefit to each project. For example, a chemical is purchased specifically for two projects. Project A consumes 40% and Project B 60%. The cost of the chemical must be charged to the projects based on the proportionate benefit to each project. In this case the proportionate benefit is based on the actual usage. Therefore, 40% of the cost is allocated and directly charged to Project A, and 60% is allocated and directly charged to Project B.

A cost that benefits multiple projects that cannot be determined because of the interrelationship of the work may be allocated to benefiting projects on any reasonable basis as long as the costs charged are allowable, allocable, and reasonable.

Facilities and Administrative (F&A) Costs (Indirect Costs)
Facilities and Administrative costs are comprised of a number of components. Facilities related costs include building and equipment depreciation, interest, operations and maintenance costs, and library expenses. Administrative costs include departmental administration, general administration, sponsored projects administration, and student related costs.
Acceptable Facilities and Administrative Costs

Costs typically incurred as facilities and administrative costs include:

- Administrative and clerical salaries and fringe benefits
- Books
- Copying
- Express mailings other than biohazard shipping or shipping of patient protected health information requiring signature and/or use of lock box, e.g. Federal Express
- Food not part of recruitment costs or to meet enrolled subjects’ needs
- Furniture
- General use computers
- General use software
- Housekeeping items
- Laundry and linens
- Memberships
- Office and general supplies
- Parking
- Postage
- Printer cartridges
- Printers
- Repairs and maintenance; service contracts
- Shredders
- Telephone: desk lines and cell phones

This list is not intended to be exhaustive. Please contact ORA with any questions about allowability of costs.

Unlike Circumstances

Subject to the specific prior approval of ORA, examples exist where it may be appropriate to direct charge the above noted expenses because of certain exceptional circumstances.
Administrative and Clerical Salaries

The following examples are illustrative of circumstances where direct charging of administrative or clerical staff may be appropriate.

- Large, complex programs, such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
- Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation cataloging, searching literature, and reporting, such as epidemiological studies, clinical trials, and retrospective clinical records studies.
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- Projects whose principal focus is the preparation and production of manual and large reports, books and monographs (excluding routine progress and technical reports).
- Projects that are geographically inaccessible to normal departmental administrative services, such as sea going research vessels, radio astronomy projects, and other research field sites that are remote from the campus.
- Individual projects requiring project-specific database management: individualized graphics or manuscript preparation; human or animal protocol; Institutional Review Board (IRB) preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications.

Whenever a project's activity is similar to those illustrated in the examples above, the salaries of administrative and clerical staff should be directly charged, provided that these expenses:

- Can be identified specifically to the project being charged, and:
- Such charges have been clearly identified in the grant proposal, or have been specifically approved in writing by the funding agency; and
- Such charges have been specifically approved as allowable by ORA and correctly certified via the effort reporting process.
Postage, Local Phone, Office Supplies, Memberships
In order to directly charge the above in exceptional circumstances, items
- Must be specifically identified with the project;
- Must be explicitly listed in the approved proposed budget;
- Must not be specifically disallowed in award notice; and
- Must be approved by ORA.

VI. RELATED INFORMATION/FORMS
For additional information, see the Office of Research Administration (ORA) Manual located at website https://www1.villanova.edu/villanova/vpaa/orgp/research/ora.html.


VII. HISTORY

VIII. RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT
Office of Research Administration

IX. RESPONSIBLE ADMINISTRATIVE OVERSIGHT
Office of Research Administration
Middleton Hall Rm 1st
800 Lancaster Avenue
Villanova, PA 19085