

***Iowa State University***  
***Sponsored Programs Costing Procedures***  
***For Awards Subject to Uniform Guidance (2 CFR 200)***

Office of Vice President for Research  
Office of Sponsored Programs Administration  
Controller's Department - Sponsored Programs Accounting

Effective: October 2024

## **I. Introduction**

This costing procedure applies to ISU federally sourced agreements that are subject to the 10/1/2024 version of Uniform Guidance (2 CFR 200).

It is important for Iowa State University to recover the full costs of each individual sponsored project where permitted by the established cost principles and policies of the funding agency. Uniform Guidance (UG) issued by the Office of Management and Budget defines in Subpart E what costs are allowable on federally funded grants, contracts and cooperative agreements (collectively called sponsored agreements). Agreements with non-federal sponsors are also subject to these cost principles if the source of the sponsor's funding is federal (i.e. federal flow-through agreements). These federal regulations require that ISU's accounting practices are consistent with these cost principles, and that the same types of costs are treated consistently as either direct costs or indirect costs. Therefore, it is essential to maintain consistency across ISU departments, colleges, centers, and institutes in the way direct and indirect costs are charged.

This ISU Sponsored Programs Costing Procedure takes into account the unique needs and requirements of the University's research community and ensures compliance with the requirements of Uniform Guidance (2 CFR 200). Future updates to this and other internal policies may be necessary as the federal government issues further modifications and interpretations.

The University delegates considerable authority and responsibility for fiscal compliance to Principal Investigators (PIs) and their departments. This requires the development of significant expertise at the department level and relies heavily on PIs, department heads and fiscal staff to comply with ISU policies/procedures and various sponsor rules and regulations.

## **II. Definitions**

### **Direct Costs**

*Uniform Guidance 2 CFR 200.413(a) 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 direct or indirect costs.

A direct cost is considered allowable when it is necessary, reasonable, allocable, conforms to any limitations or exclusions set forth in applicable regulations or in the award, complies with ISU policies and procedures, is consistently treated by ISU as a direct cost, and is adequately documented. For example, a PI's salary, when represented by programmatic effort on a particular project, is an allowable direct cost to that specific project.

## **Indirect Costs** (a.k.a. IDC, Facilities and Administrative Costs, F&A, or Overhead Costs)

*Uniform Guidance 2 CFR 200.1 states:*

Indirect cost means those costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

At institutions of higher education, indirect costs must be classified within two broad categories: Facilities and Administration. The indirect costs category Facilities includes building and equipment depreciation, equipment and capital improvements, library expenses, and operation and maintenance expenses. The indirect costs category Administration includes general and administrative expenses, departmental administrative expenses, and sponsored projects administration expenses.

Indirect costs are infrastructure costs of the University that support the programs of the institution, including research and other sponsored projects. Examples of indirect costs are facilities maintenance, electricity and heat, accounting services, personnel services, departmental administration, purchasing services, and animal care and use administration.

### **III. Consistent Treatment of Costs**

Consistent treatment of costs is a basic cost accounting principle that is specifically required by the Uniform Guidance to assure that the same types of costs are not charged to sponsored agreements both as direct costs and as indirect (F&A) costs. All proposals submitted by ISU are to be consistent in the treatment of costs.

Consistency in this context means that costs incurred for the same purpose, in like circumstances, must be treated uniformly either as direct costs or indirect (F&A) costs. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. Certain types of costs (e.g., salaries of administrative and clerical staff, office supplies, postage) are normally treated as indirect (F&A) costs and cannot be charged directly to federally sponsored projects unless the circumstances related to a particular project are clearly different from the normal operations of the institution. Identification with the Federal award rather than the nature of the goods and services is the determining factor in distinguishing direct costs from indirect costs.

## **IV. Distribution of Direct Costs Between Two or More Sponsored Projects**

The Uniform Guidance provides two methods for allocating an allowable direct cost to two or more sponsored projects.

*Uniform Guidance 2 CFR 200.405(d) states:*

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.

However, when those proportions cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

### **A. The Proportional Benefit Rule**

The proportional benefit rule applies when it is possible to determine the proportional benefit of the cost to each project. The cost is allocated according to the proportion of benefit provided to each project. For example, the cost of lab supplies might be allocated based upon the quantity used (or planned to be used) on each project.

### **B. The Interrelationship Rule**

The interrelationship rule applies when it is not possible to determine the proportional benefit to each project because of the interrelationship of the work involved. The cost is distributed on any reasonable basis because the proportional benefit cannot be quantified and identified to the individual projects. For example, the cost of lab supplies might be allocated based upon the allocation of employee salaries to each project.

## **V. Unlike Circumstances Where Direct Charging of Costs Normally Treated as Indirect Costs May Be Appropriate**

Certain types of costs (salaries and related benefits of administrative and clerical staff, office supplies, postage, subscriptions and memberships, and telecommunication line charges) are normally treated as indirect (F&A) costs. Costs normally charged as indirect (F&A) costs may be charged as direct costs when unlike circumstances exist. Unlike circumstances exist only when the specific activities related to the project are clearly different in type or significantly different in scale than normal or typical circumstances.

The Principal Investigator must exercise judgment in identifying situations where unlike circumstances exist and obtain any required prior written approvals.

Listed below are various types of indirect (F&A) costs that may be appropriate to directly charge to federally sourced projects when unlike circumstances exist and the required conditions are met.

### **A. Administrative and Clerical Salaries**

The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. The direct charging of administrative and clerical salaries may be appropriate where the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by ISU departments.

Direct charging of these costs is appropriate only if all of the following conditions are met:

- (1) Administrative or clerical services are integral to a project or activity;
- (2) Individuals involved can be specifically identified with the project or activity;
- (3) An administrative effort of at least 15 percent FTE is required to complete the specific and distinctive requirements of a particular grant, cooperative agreement or contract;
- (4) Such costs should be included in the proposal budget and budget justification. If not anticipated in advance, written justification is to be sent to Sponsored Programs Accounting documenting the requirements in this section have been met.

Expenditure documentation must be maintained by the department according to ISU records retention policy that clearly justifies the unlike circumstances for administrative and clerical salaries.

## **B. Office Supplies**

Office supplies are normally treated as indirect (F&A) costs. However, such costs may be directly charged where office supplies are not for general use and can be identified closely with a specific project (e.g., envelopes to mail a large survey, notebooks for research results, or supplies for presentations to disseminate project results).

Expenditure documentation must be maintained by the department according to ISU records retention policy that clearly justifies the unlike circumstances for office supply costs.

## **C. Postage**

Postage is normally treated as an indirect (F&A) cost. However, a particular project may have an exceptional need for postage (e.g., the mailing of a large number of survey questionnaires, or the mailing of numerous project deliverables). As these postage costs are directly related to a specific award and are extraordinary compared to routine postage requirements, it may be appropriate to charge the project directly for postage costs.

Expenditure documentation must be maintained by the department according to ISU records retention policy that clearly justifies the unlike circumstances for postage costs.

## **D. Subscriptions and Memberships**

Subscriptions and memberships are normally treated as indirect (F&A) costs due to their general nature. However, unlike circumstances may support the direct charging of these costs (e.g., the subscription's content is specifically and directly related to the sponsored project, the membership is the only means of obtaining a specific journal directly related to a sponsored project, the membership is required to attend a conference where the project's research results will be shared, the membership provides a reduction in registration costs for a required conference greater than the cost of the membership itself resulting in a net savings to the project). Expenditure documentation must be maintained by the department according to ISU records retention policy that clearly justifies the unlike circumstances for subscription and membership costs.

## **E. Telecommunications Costs**

Telecommunications costs for basic services including monthly cell phone charges, monthly ethernet charges, monthly phone line charges, and installation costs are normally treated as indirect (F&A) costs. However, the direct charging of these costs may be appropriate if a project has unique requirements (e.g., extensive use of telephone surveys, a hotline or crisis line is a project requirement, communications needed with project activities at remote locations). When unlike circumstances exist for telecommunications costs, the PI should clearly justify the proposed costs in the proposal's budget justification. Expenditure documentation must be maintained by the department according to ISU records retention policy that clearly justifies the unlike circumstances for telecommunications costs.

Costs requiring prior approval must be identified separately and justified in the proposal budget justification or have received written sponsor approval before the costs are incurred. See 2 CFR 200.407 for the list of costs requiring prior written approval.

The allowability of costs can be difficult to determine. In order to avoid the subsequent disallowance of costs, ISU can request written approval from the sponsoring agency in advance of the incurrence of unusual or special costs. This type of request, if needed, will be submitted by OSPA to the sponsor.

## **VI. Procedures for Documenting Unlike Circumstances After Award Issuance**

Unlike circumstances (i.e. the direct charging to a sponsored project of costs normally considered to be indirect (F&A) costs) should be anticipated and justified in the proposal budget and budget justification submitted to the sponsoring agency. However, where such costs were not anticipated and justified in the proposal, costs that meet the conditions of unlike circumstances will require either sponsoring agency approval before such costs are incurred, or require expenditure documentation supporting the justification of the unlike circumstances.

The Office of Sponsored Programs Administration will assist in determining if prior written approval from the sponsoring agency is required.

The justification prepared by the department must document the same information that would have been provided to the sponsoring agency in the proposal budget and budget justification. It must also explain why the cost was not included in the original budget.

Unless sponsoring agency approval is obtained, the Principal Investigator and/or department are responsible for any subsequent disallowed costs.

### **Contact Information**

Please contact the Office of Sponsored Programs Administration at [ospa-awards@iastate.edu](mailto:ospa-awards@iastate.edu) or Sponsored Programs Accounting at [spa@iastate.edu](mailto:spa@iastate.edu) with any questions about these procedures.

## VII. General Criteria for the Treatment of Costs

### A. Direct Costs - Allowable

The following types of costs should be directly charged to sponsored agreements when they can be specifically identified to the work performed under those agreements. Costs benefitting multiple projects or activities must be allocated (see Section IV). For more information related to allowable direct costs, please see the Sponsored Program Allowability and Appropriateness Manual at <https://www.controller.iastate.edu/sponsored-programs-accounting>.

- **Salaries, Wages and Fringe Benefits:**
  - Faculty
  - Research associates
  - Predoctoral and postdoctoral fellows
  - Technicians, lab assistants, graduate assistants
- **Travel Costs:**
  - Domestic travel
  - Foreign travel
- **Graduate Student Tuition**
- **Materials and Supplies:**
  - Computing devices under \$5,000/unit
  - Chemicals
  - Laboratory supplies
  - Computer software
  - Drugs
  - Books
  - Uniforms
  - Photographic supplies
  - Tools
  - Animals
- **Other Direct Costs:**
  - Radioactive waste disposal
  - Consulting services
  - Animal care
  - Long distance telephone costs
  - Freight and express
  - Human subject costs

**Note:** Costs that are normally treated as indirect costs may be charged to non-federal sponsored agreements if permitted by the sponsor's policies/practices or are otherwise approved by the sponsor.

## **B. Direct Costs – Prior Sponsor Approval Required**

The following types of direct costs may be directly charged to sponsored agreements when they can be specifically identified to the work performed under those agreements and have received prior written sponsor approval:

- **Equipment & Other Capital Expenditures**
- **Pre-Award Costs**
- **Rearrangement and Alteration Costs**
- **Subawards**

## **C. Indirect Costs**

The following costs are usually treated as indirect costs for sponsored projects subject to Uniform Guidance (2 CFR 200). These costs may be treated as direct costs only when unlike circumstances exist. See Section V and VI for the requirements.

- **Salaries of Administrative and Clerical Staff** that do not meet the requirements of 2 CFR 200.413(c) and these costing procedures
- **Office Supplies** include binders, business cards, copy paper, envelopes, folders, notebooks, paperclips, pencils, pens, scissors, staplers, tape, toner cartridges, etc.
- **Postage**
- **Routine Copying Charges** that cannot be identified with specific projects
- **Subscriptions and Memberships**
- **Telecommunications Costs** for basic services including monthly cell phone charges, monthly ethernet charges, monthly phone line charges, and installation costs