Alfred University
Policy on Direct Costs, Purchasing, and Travel on Sponsored Projects

Context

The cost of a sponsored project is comprised of both direct costs incident to its performance plus a portion of the Facility and Administrative (F&A) costs of the University. Direct costs are those costs that can be specifically identified with a particular sponsored project relatively easily and with a high degree of accuracy. Typical costs charged directly to a sponsored project include but are not limited to: the compensation of employees working on the project; employee benefits; the cost of supplies and equipment used in the performance of the project; travel; consultant fees; subaward costs (including subaward F&A); service center charges; tuition costs; and publication costs.

Direct Cost Charging Policy

It is the policy of Alfred University to comply with all Federal and Non-Federal guidelines and the terms and conditions of sponsored agreements in allocating direct costs to sponsored projects.

In order for a direct cost to be an allowable cost on a sponsored project, the cost must be:

- **Reasonable.** The cost must be necessary for the performance of the award and reflect the action that a prudent person would have taken.

- **Allocable.** The cost can easily be identified with the project and assigned to the project in accordance with benefits received.

- **Consistently Applied.** The cost must be accounted for consistently as either a direct cost or as an F&A cost.

In addition, all costs charged to a sponsored project must comply with the terms and conditions or restrictions of the Notice of Award (NOA), contract agreement, or other award documentation. Examples include:

- Costs must be incurred during the defined budget period of performance.

- Costs must be within the budget requirements/limits of the award.

- Some costs may require prior written approval from the sponsor.

- All cost transfers must occur within 90 days of the initial posting to the accounting system. If a transfer occurs after 90 days, additional documentation justifying the transfer is required.

Unacceptable Direct Charging Practices

The following practices are inappropriate for charging direct costs to a sponsored project:

- Shifting costs to other sponsored projects in order to meet budget or funding deficiencies
- Shifting costs to other sponsored projects to avoid sponsor restrictions

- Assigning costs to projects based on remaining balance, such as:
  - Assigning large equipment expenditures at the end of a project
  - Increasing salary expenses on a project with an available balance when it is not consistent with the actual effort expended

- Charging an expense exclusively to one award when the expense was used for other project activities (see Charging Costs to Multiple Projects below)

- Assigning charges that are part of the normal administrative support for awards (e.g., proposal preparation, accounting, payroll)

**Charging Direct Costs to Multiple Projects**

Some direct costs may benefit multiple projects (e.g., copying/publishing costs, bulk lab supplies). Such costs may be allocated to projects in proportion to the benefit each project derives from them.

The method for allocating direct costs to multiple projects must be identified in advance of the allocation and documented so a person unfamiliar with research administration would understand it. Documentation to split costs for purchase requisitions should be included as part of the backup for those requisitions. PI/PDs should seek guidance from OSP in determining the allocation methodology to be used on their awards.

Some reasonable methods to allocate costs to multiple projects include allocating costs based on:

- Number of activities performed, e.g., project A has 20 experiments and project B has 40 experiments therefore 1/3 of the costs will be allocated to project A and 2/3 of the costs will be allocated to project B

- Equipment usage time, e.g., project A will use the equipment 50% of its operational time and project B will use the equipment 50% of its operational time therefore the cost of the equipment will be allocated 1/2 to project A and 1/2 to project B

- An inventory tracking sheet

Cost methods that should **NOT** be used to allocate costs to multiple projects include allocating costs based on:

- Budget amount

- Remaining unspent funds

- Rotating costs between projects
**Business Process Roles and Responsibilities**

The Principal Investigator/Project Director (PI/PD) and department staff prepares the budget for sponsored project proposals consistent with sponsor guidelines and Alfred University policy. It is the responsibility of each PI/PD to use funds in a manner consistent with sponsor regulations and Alfred University policies. This includes understanding what costs are allowable on sponsored projects, and determining if expenses are charged directly to a sponsored project or charged to a non-sponsored project. Additionally, the PI/PD and department staff are responsible for retaining documentation of transactions that includes justification for all direct costs. This documentation should include an explanation of the benefit of each cost to the sponsored project and when applicable, an explanation of how the cost was allocated between multiple projects.

The Office of Sponsored Projects (OSP) conducts a complete review of proposed budgets, Alfred University policies, and sponsor requirements for compliance measures. OSP is also a resource for PIs/PDs and department administrators in providing clarification (when needed) for budgeting costs on sponsored projects. OSP also reviews and approves costs directly charged to sponsored projects in order to monitor consistency with external regulations and Alfred University policies. If OSP determines that a cost is not consistent with regulation or policy, they will inform the PI/PD and ensure that the cost is not charged to the sponsor.

**Purchasing Procedures Specific to Sponsored Projects**

The steps for procurement of goods and services on sponsored projects are as follows:

1) Project personnel identify desired goods or service and make an effort to find the best-fit product for the best price

2) PI/PD makes an initial assessment of the allowability, allocability, and reasonableness of the purchase to be charged to the sponsored project

3) Project personnel acquire vendor price quote (could be a screenshot of vendor website catalogue)

4) Project personnel complete a procurement requisition form (items and services priced over $50,000 require competitive bidding – contact Procurement Services for more information)

5) Completed and signed requisition form and price quote is sent to OSP

6) OSP reviews the purchase to ensure allowability, allocability, and reasonableness before approving

7) **If the requested expense is $1,000 or greater**, OSP will forward the requisition form to Procurement Services, and the purchase is made
8) If the requested expense is under $1,000, and project personnel wish to purchase with a University procurement card (One Card), OSP will return the requisition form to project personnel, and the purchase is made.

Travel Procedures Specific to Sponsored Projects

The steps for charging travel costs to sponsored projects are as follows:

1) PI/PD makes an initial assessment of the allowability, allocability, and reasonableness of the travel to be charged to the sponsored project

2) PI/PD and project personnel familiarize themselves with all aspects of the wider University Travel Policy

3) Project personnel complete a Travel Advance Authorization Form and submit to OSP prior to the requested travel

4) OSP reviews the travel request to ensure allowability, allocability, and reasonableness before approving and forwarding to the University Business Office

5) After the trip is complete, a Travel Expense Report must be completed and submitted to OSP within one week of returning from the trip

6) OSP forwards the approved Travel Expense Report to the University Business Office

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1 Single-item purchases must NOT be split into two or more invoices in order to facilitate the use of a University One Card. One Card privileges may be suspended as a result of this situation.

2 It is understood that the University One Card is designed to allow flexibility and expedite certain purchases costing less than $1,000. In some circumstances where a purchase must be made on short notice due to vendor, shipping, or scientific/technical constraints, OSP will not require requisition form prior approval before project personnel use the One Card to make the purchase. In these cases however, it will be the project personnel's responsibility to forward a copy of the price quote and receipt for the purchase to OSP as soon as feasible after the purchase is made (and absolutely no later than when the monthly One Card statement is reconciled). At OSP's discretion, this flexibility may be eliminated for personnel who repeatedly fail to forward receipts to OSP in a timely manner, or who repeatedly purchase items that are later found by OSP to be unallowable on the sponsored project and must be moved to the appropriate non-sponsored fund.

3 It is understood that some project personnel may use a University One Card during the course of their travel. In these cases, all One Card purchases made during a particular trip must be correctly assigned (in the Smart Data reconciliation system) to the sponsored project that was indicated on the Travel Advance Authorization Form prior to the trip. Any cases where one card purchases during a particular trip are assigned to a different project than was indicated on the prior approval for that trip will raise “red-flags” for external reviewers/auditors, and could result in costly penalties to the University.