



COST PRINCIPLES FOR SPONSORED PROJECTS PROCEDURE

PURPOSE:

The purpose of this procedure is to guide responsible individuals in making decisions in the budgeting and charging direct and indirect costs to sponsored projects. In compliance with the [Cost Principles for Sponsored Projects Policy](#), this procedure establishes the guidelines for determining direct, indirect and unallowable costs.

The Federal Uniform Guidance ([2 CFR 200](#)—*Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*) establishes principles for determining costs applicable to grants, contracts, and other agreements from the federal government. [Subpart E](#)—Cost Principles identifies specific requirements related to cost principles. Through 2 CFR 200, the federal government has established guidelines for the types of costs it will (allowable) and will not (unallowable) reimburse on sponsored projects. The government identifies [allowable costs](#) as either **direct** or **indirect** costs.

PROCEDURES:

I. Charging of Direct Costs to Sponsored Projects

Allowable Direct Costs

Direct costs charged to sponsored awards must be:

- (1) **Reasonable** and necessary for meeting the objectives of the project.
- (2) **Allowable** according to the terms and conditions of the award and in accordance with 2 CFR 200, Subpart E, [General Provisions for Selected Items of Cost](#) (Sections 200.420 – 200.475). For example, alcoholic beverages (200.423) are not allowed on sponsored projects. Please see section 1.C of this document for more detail on unallowable costs.
- (3) **Allocable** with relative ease to a specific activity or project or multiple projects based on its relative benefit to the project or projects. If costs are to be allocated between multiple projects, there must be supporting documentation of how the costs were allocated between the projects. If the benefit is spread over multiple projects and it is difficult to identify the direct benefit to each project with relative ease, the cost must be considered an indirect cost.
- (4) **Consistent** with costs charged in similar circumstances to other CSUSM Corporation and OSP activities.
- (5) **Available** within the budget of the award.

II. The following illustrates typical direct cost charges on sponsored awards and further defines the circumstances for which they can be charged. All transactions must adhere to CSUSM Corporation and OSP policies and procedures. The PI/PD is responsible for ensuring that costs requested meet the criteria of an allowable direct cost. The OSP SPA is responsible for reviewing these costs and approving only those that fully meet the criteria.

A. *Salaries, Wages, and Fringe Benefits*

- i. Salaries, wages, and fringe benefits for non-administrative personnel (Principal Investigators, Project Directors, co- investigators, research staff, etc.) are allowable as direct charges on sponsored projects when the charges reflect actual work performed and directly benefit the sponsored project.

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- ii. Salaries, wages, and fringe benefits for administrative personnel are normally treated as indirect (F&A) costs. Per Subsection E, 2 CFR §200.413, direct charging* administrative and clerical salaries may be appropriate only if all of the following conditions are met:
 - a. Administrative or clerical salaries are integral to the project or activity;
 - b. Individuals involved can be specifically identified with the project or activity;
 - c. Such costs are explicitly included in the budget or have prior written approval of the awarding agency; and
 - d. The costs are not also recovered as indirect (F&A) costs.
- iii. Salary, wage, and fringe benefit charges must be consistent with all other applicable CSUSM Corporation hiring procedures and employment practices.
- iv. Costs associated with providing fringe benefits (FICA, Health Insurance, CalPERS Benefits, Workers' Compensation Insurance, State Unemployment Tax, etc.) to grant-funded personnel are charged on an actual basis to the sponsored project.

* Refer to the [OSP Sponsored Project Administration Handbook](#) for more changes under 2 CFR 200 related to charging typically indirect costs as direct costs, including computing charges. See below for costs typically considered Indirect costs.

B. Consultants/Independent Contractors

The services of consultant Consultants/Independent Contractors specified in the awarded budget are allowable direct charges to a sponsored project. When such services are not in the awarded budget, refer to the agency guidelines for any specific requirements as agencies may vary in their approval. However, whether they are or are not approved in the awarded budget, CSUSM Corporation must comply with State/Federal laws and CSU policies regarding the proper classification of employees and independent contractors. Consultants/Independent Contractors must also meet CSUSM/CSUSM Corporation hiring criteria which may prohibit CSUSM or CSUSM Corporation employees from performing these services. Consultant agreements must be processed in accordance with applicable government and/or sponsor regulations and CSUSM/CSUSM Corporation procurement policies and procedures.

C. Subcontracts/Subawards

Subcontracts/subawards specified in the awarded budget are allowable direct charges to a sponsored project. If a subcontract/subaward is not in the awarded budget, refer to the agency guidelines for their specific requirements as agencies may vary in their approval. The agreements must be processed in accordance with applicable government and/or sponsor regulations and CSUSM/CSUSM Corporation procurement policies and procedures. Per the approved F&A rate agreement only the first \$25,000 of a given subaward/subcontract agreement is subject to facilities and administrative (F&A) costs.

To determine if the costs charged on subrecipient invoices are allowable and for compliance with subrecipient monitoring requirements from 2 CFR 200, reference the Subrecipient Monitoring procedure (in progress).

D. Other Direct Costs

Other Direct Costs (ODCs) must be clearly identified in the proposed/approved budget.

- i. Supplies & Materials – Materials directly related to the project, such as technical or scientific supplies, are allowable if they are purchased to directly benefit the project.
- ii. Office Supplies - Allowable as direct charges to a sponsored project if they are necessary to complete the project and they are used solely for the project. Otherwise, general office supplies are typically considered an indirect cost.
- iii. Postage, Photocopies – Allowable if they are a direct benefit to the project and can be documented (e.g., if a survey is being conducted as part of a project, copying and postage are allowable direct charges).
- iv. Telecommunication Expenses – In general, only telecommunication costs associated with a specific project are allowable and can be direct charged to a sponsored project. (e.g. long

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distance charges can be direct charged if the call benefits the project directly), but appropriateness of these charges must be documented. If a telephone has been installed for the sole use of a particular grant or contract activity (e.g. if conducting a phone survey is an objective of the project), monthly service, message units, and non-toll charges can be charged to the sponsored project.

- v. Cellular phones/Internet – Cell phones and any internet service provider charges (including but not limited to internet hot spots, home internet services and any other broadband services) are only allowable if approval from the sponsor is received, is in compliance with CSUSM and CSUSM Corporation policies, programmatic necessity can be documented, and the services are used exclusively for the sponsored project(s). No other telecommunication expenses should be direct charged to a sponsored project.

E. Equipment

Equipment which will be used specifically for the benefit of the sponsored project may be direct charged to a sponsored project depending on the agency specific guidelines.

Capital Equipment is defined as items with an acquisition cost of \$5,000 or more and may also include consolidated equipment with a total value of \$5,000 or more. If an equipment purchase is specified in the awarded budget, further approval is generally not required.

If the approved budget does not include equipment, most agencies require prior approval. Contact the OSP SPA for additional assistance in determining whether prior approval is required. Refer to the [CSUSM Corporation Procurement Policy](#) for additional requirements.

General or sensitive equipment (such as copiers, computers and peripherals) is typically considered an indirect cost. Computing equipment* necessary to complete a project may be budgeted as materials or equipment under \$5,000, is not capitalized and may be allowable if approved by the sponsor (either in the approved budget or through a prior-approval request). Computing equipment that benefits more than one sponsored project must be allocated appropriately as described above under Allocable.

** Refer to the [OSP Sponsored Project Administration Handbook](#) for more changes under 2 CFR 200 related to charging typically indirect costs as direct costs, including computing charges. See below for costs typically considered Indirect costs.*

F. Research Incentives

Incentive payments for research participants through a gift card or other form of payment may be allowable in accordance with applicable CSUSM Corporation, campus, government and/or sponsor regulations and may require IRB approval for participants in human subject research. Refer to the [Research Incentives Payment Policy](#).

G. Travel

Travel costs, including registration fees, transportation, lodging, per diem, and incidentals, that are included in the awarded budget are allowable and may be directly charged to a sponsored project as long as they are consistent with sponsor guidelines and CSUSM/Corporation travel policies and procedures. Where there is a conflict between sponsor guidelines and CSUSM/Corporation policies the more restrictive shall apply.

If travel costs exceed the budgeted amount or if travel was not included in the awarded budget, refer to the specific sponsor guidelines regarding the allowability of travel. Some agencies may require prior approval.

International travel must be approved in compliance with CSUSM/Corporation policy.

H. Participant Support, Scholarships, Tuition and Stipends

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Participant support costs (as defined in 2 CFR 200.75) means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not project employees) in connection with conferences or training projects. Stipends and Tuition costs, may also be referred to as Participant Support Costs (PSC) are allowable in compliance with sponsor guidelines and may be directly charged to a project at the rate defined in the approved budget.

PSC's are typically associated with some form of educational outreach or training component of the sponsored project. A participant is the recipient, not the provider, of a service or training opportunity as part of a workshop, conference, seminar, symposium or other short-term instructional or information sharing activity funded by a sponsored project.

Costs for speakers, and program facilitators or coordinators are NOT considered participant support costs.

PSC's are exempt from indirect costs per the CSUSM Corporation federally negotiated F&A rate agreement.

Generally, it is not allowable to re-budget from a participant support costs category into other budget categories unless prior written approval has been obtained from the sponsor, even if re-budgeting authority has been assigned to the grantee. If approval is obtained from the sponsor and funds are moved from participant support costs into other budget categories, F&A costs will be applied to the re-budgeted funds, as appropriate. Such re-budgeting should be done as soon as possible during the life of the award. Conditions or constraints for re-budgeting awarded participant support costs vary and are specific to the awarding agency. Refer to funding terms and conditions for more information.

Requests for Participant Support payments to CSUSM students are reviewed/approved by the OSP SPA and sent to Student Financial Aid for processing through the student's financial aid account. Other payments are made using the standard CSUSM Corporation payment/reimbursement process.

III. Unacceptable Direct Charging Practices

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

- i. Assigning costs to projects in order to resolve an excess balance available on a project, this includes:
 - a. Assigning large equipment expenditures at the end of a project.
 - b. Increasing salary expenses on a project with an available balance when it is not consistent with the actual effort expended.
- ii. Charging an expense exclusively to one award when the expense also supports other activities.
- iii. Assigning expenses to a project that is not identifiable to a specific item or service.
- iv. Assigning charges to an award before the cost is actually incurred.
- v. Assigning charges that are part of the normal administrative support for awards (e.g., proposal preparation, accounting, and payroll).

IV. Process Steps

- i. Expenditure documents to be posted to sponsored projects will be approved by the PI/PD or designee and routed to the OSP SPA for review and approval prior to processing the payment.
- ii. The OSP SPA will review the charge and supporting documentation to ensure that it is allowed to be directly charged in compliance with applicable guidelines:
- iii. Confirm that the cost was included in the **awarded budget**. If the item does not appear in the approved budget, then other reviews will be conducted to determine if the item is allowable under re-budgeting authority that may be granted to CSUSM Corporation, or if the item may be allowable if prior approval is obtained in writing from the agency.
- iv. Ensure that the cost falls within the budget period of the award.
- v. Verify within the **award document or the contract/agreement** issued for the sponsored project that the cost is allowable.
- vi. After the OSP SPA reviews the expense, they will approve for payment and route to the appropriate department (i.e. accounts payable or purchasing) for processing.

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- vii. If it is determined that the expense should not be charged to the sponsored project, the OSP SPA will contact the PI/PD to determine a more appropriate fund to charge the expense. The OSP SPA is responsible for communicating with the PI/PD and/or the CSUSM/Corporation processing department the status of any expenses that cannot be approved and charged to the sponsored project.

V. Charging of Indirect (F&A) Costs to Sponsored Projects

Federal Sponsors agree to reimburse institutions for indirect costs incurred to support sponsored projects through the federally negotiated F&A rate applied to the MTDC of each award. This rate is calculated by determining the allowable costs CSUSM, CSUSM Corporation and OSP bears to support sponsored funding that are not directly charged to a sponsored project. These costs are allocated within the following categories that are summarized in [Appendix III](#) to 2 CFR 200:

2 CFR 200 Category	Typical Indirect Costs
General & Administrative	The costs of operating institutional wide financial and general management, budget and planning, human resource management, payroll, and academic and student affairs.
Department Administration	Departmental administrative support services that benefit common or joint departmental activities in academic departments or organized research units
Sponsored Projects Administration	Expenses incurred in the office of sponsored program administration including grant & contract admin (pre and post-award), special security, purchasing, personnel, administration, and editing/publishing of reports
Building Depreciation	Depreciation on any CSUSM/Corporation owned building over its useful life
Equipment Depreciation	Depreciation on the equipment purchased from non-federal funds
Interest Expense	All interest expenses incurred
Operations & Maintenance	Facilities management expenses, janitorial and utility services, repairs and ordinary alterations of the physical plant, maintenance and operation of buildings, security, disaster preparedness, environmental safety, hazardous waste disposal and property liability & other insurance.
Libraries	Central library services

Sponsors pay for indirect cost through the application of the F&A rate. If a cost is included as an indirect cost in the F&A rate calculation and is directly charged to a sponsored project, the sponsor will be inappropriately charged twice for the cost. To prevent this from occurring, the following is a guideline of costs that are normally considered indirect costs and should not be charged directly to sponsored projects:

A. Salaries of administrative and clerical staff for activities such as:

- Accounting and budgeting activities
- Filing
- General department administration
- Grants and contracts administration
- Maintaining databases
- Processing and tracking routine purchase orders
- Routine travel planning
- Routine data entry

B. Office supplies such as:

- Binders
- Business cards
- Copy paper
- Envelopes
- File folders and labels
- Postage for general use

C. Local Telephone costs and equipment

D. Rent and other Utilities

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- E.** General use supplies or equipment such as:
- Word processing software
 - Computers, laptops, or handheld computers
 - Pagers or cell phones

VI. Unallowable Costs

There are certain costs that cannot be charged to a federally sponsored project, either directly or indirectly. These costs are identified in 2 CFR 200, Subpart E and include but are not limited to the following costs:

- (a) Alcohol
- (b) Alumni activities
- (c) Contributions and donations
- (d) Development and fund raising (fundraising and investment management)
- (e) Entertainment
- (f) Interest
- (g) Defense or prosecution of criminal or civil proceedings
- (h) Lobbying
- (i) Selling and marketing activities

Refer to 2 CFR 200, Subpart E, Cost Principles, for a complete list of unallowable costs under federally funded awards. PIs are responsible for ensuring that these costs are not charged directly to a sponsored project. OSP will work with CSUSM Auxiliary Accounting to ensure account codes in PeopleSoft used for unallowable expenditures identified in Subpart E of 2 CFR 200 are easily identifiable.

In addition to unallowable costs identified above, and in compliance with 2 CFR 200.410 (and OSP Cost Principles Policy), if any cost is determined by the sponsoring entity to be unallowable, then CSUSM will reimburse the unallowable cost(s) in accordance with instructions from the sponsoring entity. Prior to reimbursement of such unallowable costs, the OSP Director will review the unallowed cost to concur with the finding.

VII. Roles and Responsibilities

Principal Investigator/Project Director

The PI/PD is responsible for initiating and approving all expenditures and ensuring that they are allowable, allocable and reasonable, in accordance with the budget, and compliance with this procedure and sponsor terms and conditions. Refer to the [Charging of Direct Costs to Sponsored Projects](#) section in these procedures for more details on how to determine when costs are allowable on a sponsored project.

- The PI serves as the primary authorized signer on their sponsored project. They are required to complete a Signature Authorization form for each project which will be used to verify authorization signatures on documents submitted. A PI/PD does have the option of granting signature authority to other project staff, however the PI/PD will be responsible for approvals made by designated signatories.
- One-Up Authorization & Approvals
PI/PDs may not authorize or approve reimbursement of:
- Their own expenditure reimbursements;
- Expenditures by or for a superior (and individual upward in their chain of command); and
- Expenditures made by a relative or spouse, whether they are an investigator, grant or contract employee, or external consultant. Such situations require appropriate disclosures, approvals at the time of proposal and, if accepted, a next level approver.

Sponsored Projects Analyst (SPA): The SPA is responsible for the reviewing and approval of expenditures that meet the allowable, allocable and reasonableness test and be in accordance with this procedure, the

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approved budget, applicable regulations and sponsor terms and conditions. Once approved the assigned SPA will forward expenditure documents to Accounts Payable or other department, as appropriate, for payment processing.

Office of Graduate Studies and Research: Ensure that expenditures included in cost proposals are in compliance with this procedure and relevant sponsor or government regulations.

References

For definitions of key words in this procedure, refer to the CSU systemwide [Sponsored Programs Definitions Policy](#) (ICSUAM #11001.01).

Links to Policies and Regulations

Uniform Guidance, [2 CFR 200](#)

National Science Foundation, [Proposals and Awards Policies and Procedures Guide](#)

2 CFR 200 [Subpart E](#)— Cost Principles

[CSUSM Corporation Policies and Procedures](#)

[CSUSM Corporation Cost Principles for Sponsored Projects Policy](#)

[Office of Management and Budget \(OMB\) Uniform Guidance 2 CFR 200](#)