Direct Costs Guidelines

Fiscal officers and principal investigators should be particularly cognizant of charges to grant-funded programs to assure that they are allowable as direct costs by the funding agency.

Responsibilities: The principal investigator is responsible for the management and administration of his/her individual award within the financial constraints outlined by the individual sponsor in the terms of the award and in accordance with SIU Carbondale’s policy governing direct costs. The Fiscal Officer is responsible for approving all grant transactions and ensuring the propriety of all transactions to be posted to the project account or used as match for the project.

Grant and Contract Accounting (GCA) is responsible for monitoring expenses incurred on sponsored projects and to advise the principal investigator when an expense is not allowable. GCA assures that the University remains in compliance with applicable federal, state, agency and University fiscal policies. In the event a discrepancy exists between the provisions of 2 CFR 200 and those specified within the sponsored program, the program provisions take precedent.

Definition: Direct costs are those that can be specifically identified with a particular sponsored project or activity and can be assigned to that project or activity with a high degree of accuracy. In order for a direct cost to be an allowable cost to a sponsored program, it must meet three criteria:

Reasonable – It must be necessary for the performance of the program.

Allocable – It must be easily identifiable with the project and be assigned to the project only in accordance with the benefits received by the program.

Consistently Applied – The cost must be treated consistently as either a direct cost or an indirect cost when incurred under like circumstances on all sponsored projects.

It is the policy of the University to comply with 2 CFR 200 in its definition and treatment of direct costs. In order to assure compliance with the federal regulations, SIU Carbondale will treat the following items as direct costs in the administration of sponsored programs:

- Salaries of principal investigators, research assistants, research associates, and technical staff
- Fringe benefit costs associated with the salaries of directly charged personnel
- Animal per diems
- Other specialized services
- Laboratory supplies including chemicals and glassware
- Long distance telephone charges
- Travel costs
- Rental charges for off campus facilities
- Equipment costing less than the capitalization threshold
- Computer software and supplies
- Other supplies and tools required in the conduct of the sponsored program
- Tuition remission for graduate research and teaching assistants
Consulting Services

Sub contracted portions of the program

The following practices are prohibited, as they do not meet the requirements of 2 CFR 200 governing acceptable assignment of costs:

- Charging costs based on the budgeted amount rather than on the actual expenses incurred.
- Assigning costs in advance of when costs are incurred.
- Changing the description of costs.
- Charging costs incurred for joint purposes to a sponsored program.
- Assigning costs to grants based on available funds.
- Transferring costs among and between grants.
- Charging cost overruns from one grant to another.
- Applying arbitrary departmental or unit “indirect cost” rates or fees.

**Recordkeeping:** Detailed records, sufficient to document the purpose and nature of the transfer, must be maintained by the project staff and/or the department. GCA does not maintain detailed records of expenditures or supporting documentation (e.g., invoices, time and effort reports).

**GCA Process:** GCA identifies and segregates direct costs on sponsored projects as part of its review of expenses conducted as part of the development of the facilities and administrative (F&A) proposal; during reviews of expenses conducted by GCA personnel in the daily performance of processing disbursement requests; and according to SIU Carbondale’s guidelines on direct costs that have defined direct costs to include the list above.

PIs should obtain prior approval for expenditures that are deemed to be potentially unallowable because, for instance, they are not normally considered a direct cost, were not included in the project budget, or they are unusual costs being incurred at the end of a project.

In the event that GCA determines that a cost to a sponsored project is unallowable, the principal investigator and fiscal officer will be contacted to identify another account to which the cost can be charged.

Questions about the allowability of any cost should be directed to GCA.