



POLICIES AND PROCEDURES

Direct Charges to Extramural Awards

ISUPP 7150

POLICY INFORMATION

Policy Section: *Research*

Policy Title: *Direct Charges to Extramural Awards*

Responsible Executive (RE): *Vice President for Research and Economic Development*

Sponsoring Organization (SO): *Office of Sponsored Programs and Support*

Effective Date(s): *TBD*

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I. INTRODUCTION

This policy ensures that all direct costs charged to extramurally funded sponsored projects are compliant with federal regulations, state laws, and individual sponsor guidelines. It applies to all faculty, principal investigators (PIs), and administrative staff managing external awards. Compliance with this policy is mandatory. Non-compliance undermines the University's stewardship of sponsor funds, exposes the institution to disallowed costs, negative audit findings, repayment obligations, penalties, and may jeopardize the University's ability to receive future awards.

II. DEFINITIONS

- A. Adequate Cause. One or more acts or omissions which, singly or in the aggregate, directly and substantially affect or impair an employee's performance of his or her professional or assigned duties or the interests of the University or the Idaho State Board of Education. In addition, any conduct seriously prejudicial to the University may constitute Adequate Cause for discipline up to and including dismissal or termination of an employee.
- B. Allocable. A cost is considered allocable to a particular project if the goods or services involved are chargeable or assignable to the project in accordance with relative benefit received or other equitable relationship.

- C. Allowable Costs. For a cost to be regarded as an allowable charge to a sponsored project, it must be reasonable, allocable to sponsored agreements, consistently applied and conform to any limitations or exclusions.
- D. Capital Outlay. Capital Outlay (CO) is defined as items having a useful life of more than one year and a cost of \$5,000 or more.
- E. Direct Cost. Expenses that can be identified specifically with a particular sponsored project relatively easily and with a high degree of certainty.
- F. Electronic Personnel Action Form (EPAF). A digital document used at the University to propose, track, and approve employment changes.
- G. Extramural Funding. Funding awarded to the University by an external organization to support specific research projects.
- H. Participant Support Costs. Participant support costs are 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 typically employees) in connection with conferences or research and training projects.
- I. Prudent Person. A person using sound judgment, common sense, and forethought to avoid risk. The baseline standard for responsible behavior.
- J. Reasonable. A cost is considered reasonable if the nature and the amount involved for goods or services acquired or applied reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.
- K. Sponsor. An entity external to the University that provides funding, resources, or contractual support to the University to conduct a specific research, training, or service project.
- L. Unallowable Costs. Costs that fail to meet any of the conditions of Allowable Costs are Unallowable.
- M. User. Any individual, research team, or department that utilizes Extramural funding the University community.

III. POLICY STATEMENT

This policy establishes rules to ensure compliance with federal financial obligations. The policy's primary function is to define which expenses can be billed directly to a grant and which must be covered by alternative sources. The Federal Office of Management and Budget (OMB) is responsible for setting forth the general principles and practices for cost standards associated with federally sponsored projects. The University, as a recipient of sponsored project funding, must

comply with all regulations and standards established by the federal government and other sponsoring agencies.

IV. AUTHORITY AND RESPONSIBILITY

- A. Departments. Departments are responsible for ensuring charges comply with this policy and all applicable laws and regulations, maintaining supporting documentation, obtaining required approvals, and ensuring costs are accurate and appropriate.
- B. Finance. The Office for Finance is responsible for providing guidance regarding appropriate charging methods, monitoring compliance, and resolving accounting questions regarding internal charges.
- C. Controller. The University Controller maintains the final authority for determining whether an expense qualifies as a direct charge. In the event of any discrepancies the Controller will review the justification and issue the definitive decision which supersedes all other departmental or project-level determinations.
- D. Office of Sponsored Programs and Support (OSP). In collaboration with the Director of Grants and Contracts Accounting, provides University oversight to ensure compliance. Is responsible for monitoring adherence to all federal, state, and other cost-related restrictions on sponsored projects.
- E. Vice President for Finance (VPF). The Vice President for Finance and Administration, or designee, may approve exceptions to this policy when consistent with applicable accounting standards and University interests.
- F. Principal Investigator (PI). The PI bears primary responsibility for ensuring the appropriateness or allowability of all costs on sponsored projects.
- G. Employee. Responsible for compliance and financial stewardship. Employees are encouraged to report cases where there is undue influence to process charges that are unallowable. Employees should note that protections are afforded through federal and University policies to prevent retaliation in such instances. Employees are responsible to report unethical behavior when it is encountered.
- H. Director of Grants and Contracts Accounting (GCA). Charged with assisting PIs in reviewing, justifying, charging and tracking costs, and is responsible for making certain that expenditures are charged against awards in a manner that is consistent with applicable federal regulations, sponsor conditions, and University policies.
- I. Unit administrator. The unit administrator (department chair/head/director) is responsible for implementing procedures to ensure adherence to federal cost principles including allowability, accounting regulations, and University policies.

V. GENERAL

A. Scope.

1. This policy applies to all University units that charge Extramurally Funded grants.
2. This policy does not apply to:
 - a. Service centers or recharge operations governed by ISUPP 7140 *Service Center and Recharge Operations*;
 - b. Cost transfers and accounting corrections;
 - c. Procurements; or,
 - d. Interdepartmental budget reallocations.

B. Core Criteria. To be charged directly to an Extramural Funded grant, an expense must meet the following federal cost principles:

1. Allowable. The expense must be permitted under both University policy and the specific terms of the sponsor agreement.
2. Allocable. The expense must provide a distinct, direct benefit to the project. If an item benefits multiple projects, the cost must be proportionally split based on actual usage. A cost is considered Allocable if:
 - a. It is incurred solely to advance the work under the sponsored agreement;
 - b. It benefits both the sponsored agreement and other work of the University in proportions that can be approximated through use of reasonable methods; and,
 - c. It is necessary to the overall operation of the University and is deemed to be assignable in whole or in part to sponsored projects.
3. Reasonable and Necessary. The cost must reflect what a Prudent Person would pay in similar circumstances and must be essential to fulfilling the project's scope of work.
4. Consistently Applied. Costs incurred for the same purpose in like circumstances must be treated uniformly across the University. The University must not bill an expense as a Direct Cost to a grant if it normally treats that same expense as an Indirect Cost.
5. Conforming. Costs must conform to any limitation set forth in the federal guidance, or in the sponsored award itself, as to types or amounts of cost items.

C. Classification of Costs. To prevent charging the sponsor directly for costs already covered by the University's negotiated Facilities & Administrative (F&A) overhead rate, expenses are strictly divided into the following categories:

1. Standard Allowable Direct Costs. These items are explicitly tied to the execution of the research and are billed directly, including:

- a. Salaries and fringe benefits for PIs, postdocs, and graduate research assistants.
 - i. For externally-sponsored awards, an individual's rate of pay may not be charged in excess of the institutional base salary rate received for that individual's regular appointment.
 - ii. Payroll expenditures and changes to an individual's effort percentage are to be processed in a timely manner through the University's system.
 - iii. EPAFs to terminate personnel from sponsored projects must be processed prior to the award end date to reduce the necessity for labor redistributions.
 - iv. EPAFs and any other records must accurately reflect the percentage of time individuals are working on a given project and must be verified regularly.
 - v. All leave is to be charged to the appropriate account(s), as it is taken. Terminal leave is paid at a consolidated fringe benefit rate.
 - vi. All salaried employees who are paid in whole or in part from sponsored projects, federal funding, or committed cost share must complete an effort report.
 - vii. Fringe Benefits.
 - 1. The University pays fringe benefits through a consolidated fringe benefit rate negotiated either annually or as required with the Department of Health and Human Services.
 - 2. Rates are assigned based on the employee's position class of faculty, staff, or student.
- b. Scientific and Laboratory Supplies (e.g., reagents, chemicals, glassware).
 - i. Operating supplies and services must be purchased and received during the time period of the project.
 - ii. Operating supplies and services must provide a direct, verifiable benefit to the funded project.
 - iii. Stockpiling supplies at the end of a project period is strictly prohibited. Such stockpiled supplies would not reflect a direct and verifiable connection to the project being funded and may result in an obligation back to the sponsor.
- c. Services Costs.
 - i. Professional and technical services that can be tracked with a high degree of accuracy to a specific project.
 - ii. Operational and project services including specialized cloud storage and project-specific high-performance computing.

- iii. Grants cannot be directly charged for services that the University normally provides for free or covers via Indirect Cost rates.
- d. Capital Outlay equipment (items costing \$5,000 or more used exclusively for the project).
 - i. Capital Outlay items must be purchased during the time period of the project and in accordance with purchasing requirements.
 - ii. Capital Outlay items must be received with enough time remaining on the project to benefit the project.
- e. Travel Costs.
 - i. The purpose of travel must be in direct support of project objectives.
 - ii. Travel must take place within the time period of the project.
 - iii. Reservations or airline tickets cannot be purchased with sponsored project funds if the actual travel occurs before the start date or after the termination date of the project.
 - iv. All travel charges must be documented by receipts. Allowable travel expense rates must comply with University travel policy, the terms of the agreement, or agency requirements, whichever is most restrictive.
 - v. All foreign travel must be registered with the International Programs Office before travel is undertaken.
 - vi. All foreign air travel on federal funds must comply with the Fly America Act.
- f. Subcontracts and consultant fees approved in the award budget.
 - i. If the University is subawarding or subcontracting a portion of the project work scope, a contractual award document must be issued by OSP at the request of the PI or the unit.
 - ii. If the subaward or subcontract is not included in the original proposal, agency approval may be required prior to issuance.
 - iii. Subaward or subcontract costs are split out from the award and budgeted on a separate index within the overall grant budget.
 - iv. All subrecipient or subcontractor requests for payment (invoices) must be approved by both the PI and OSP prior to being charged against the subaward or subcontract.
 - v. Cumulative amounts invoiced may not exceed the total amount of the subrecipient index.

- vi. Invoices must be reviewed for allowable expenses per the prime contract. The PI must certify both that the work is progressing and that expenses are appropriate.
- vii. OSP will review and approve all subaward or subcontract invoices prior to forwarding to Accounts Payable for payment.
- g. Participant Support Costs. To help defray the costs of participating in a conference or training activity, funds may be proposed for payment of stipends, per diem or subsistence allowances, based on the type and duration of the activities.
 - i. If the primary purpose of the individual's attendance at a conference is learning and receiving training as a participant, the costs may be included under participant support.
 - ii. If the primary purpose of the individual's attendance at a conference is to speak or assist with management of the conference, then such costs should be budgeted in appropriate categories other than participant support.
 - iii. For some educational projects, the participants being trained are employees. If the payment is made through a stipend or training allowance method, this can be categorized as participant support costs.
 - iv. Allowances must be reasonable, in conformance with University policies, and in compliance the sponsor's terms and conditions.
 - v. Days must be limited to the attendance of the conference and actual travel time to/from the conference.
 - vi. Rebudgeting from participant support costs to other budget categories requires prior sponsor approval.
- h. Tuition remission, fees, stipends, scholarships, and insurance (TFSSI).
 - i. Tuition remission and fees may be charged for graduate assistants only. If graduate assistants are receiving a salary or stipend, then tuition remission must be paid on a proportional basis to the salaries.
 - ii. When tuition remission is not allowed as a Direct Charge on a sponsored project it must be charged to a different funding source.
 - iii. TFSSI expenses are allowed on most sponsored projects when associated with a graduate assistant's appointment to work on the project.
 - iv. Scholarships are not an allowable expense unless specifically approved by the sponsor. TFSSI expenses are allowable on formal training grants as a scholarship.

2. Costs Normally Treated as Indirect (F&A Overhead). These costs support general University operations and cannot be charged directly to a grant:
 - a. General office supplies (e.g., paper, pens, paperclips);
 - b. Basic utilities, facility maintenance, and building rent;
 - c. General-purpose software (e.g., Microsoft Office, Adobe Acrobat);
 - d. General-purpose computers;
 - e. Local telephone lines and routine network connections; and,
 - f. Administrative and Clerical Salaries such as standard departmental administration, accounting, and HR support.
 - i. Exceptions and Unlike Circumstances. Administrative costs (like clerical salaries or general-purpose computers) may only be charged directly if they meet the strict Unlike Circumstances exception. To qualify:
 1. The administrative services must be integral to the project's unique scope;
 2. The individuals involved must be specifically identified with the project; and,
 3. The costs must be explicitly justified in the proposal budget and receive prior written approval from the sponsoring agency where approval is required.
 4. The costs are not also charged as F&A Overhead.

D. Cost Transfers.

1. Moving an expense from one account to a sponsored project to fix an entry error must be fully documented and processed within ninety (90) days of the original transaction.
2. Transferring costs to spend down a remaining balance or cover overruns on another project is strictly prohibited.
3. High-Scrutiny Period. Expenses charged within the final thirty (30) days of an award period receive automated administrative reviews to ensure they are necessary to wrap up the project and are not simply clearing out surplus funds.

VI. COMPLIANCE AND ENFORCEMENT

A. Compliance.

1. Primary Responsibility.
 - a. The Principal Investigator (PI) bears primary and non-delegable responsibility for ensuring that all costs charged to a sponsored project are allowable, allocable,

reasonable, and consistent with sponsor terms, University policy, and applicable federal regulations regardless of who initiates or processes the transaction.

- b. Ongoing Monitoring Obligation. PIs are required to review sponsored project financial activity on a regular and timely basis (at minimum monthly, or as specified in departmental procedures) to confirm that charges reflect actual, allowable costs benefiting the project, and to identify and correct errors promptly.
- c. Duty to Certify. By approving expenditures, certifying effort, or authorizing cost transfers, the PI attests to the accuracy and allowability of the underlying charges. Certifications made without adequate review or verification constitute noncompliance in themselves, independent of whether the underlying charge is ultimately found unallowable.

2. Delegation.

- a. PIs may delegate day-to-day administrative tasks such as initiating purchases, reconciling ledgers, or preparing cost transfers, to department administrators, lab managers, or other designees.
- b. Such delegation does not relieve the PI of ultimate responsibility for the propriety of charges made against their award(s).
- a. Department chairs, business officers, and central offices (OSP, GCA) share responsibility for supporting compliance through training, systems, and review; however, this institutional support structure supplements, and does not substitute for, the PI's direct accountability for their award(s).
- b. Consequence of Noncompliance. A PI's failure to adequately monitor, review, or correct charges on their sponsored projects, whether due to inattention, over-delegation, or repeated error, is subject to the remedial actions outlined in this policy, up to and including restriction of spending authority and/or eligibility to serve as PI on future awards.

B. Review.

- 1. All sponsored projects are subject to regular review.
- 2. Any expenses charged against sponsored projects must be consistent with federal guidance, University policies and procedures, and sponsor requirements.
- 3. GCA will review expenditures periodically through the life of a sponsored project budget and prior to closeout based on the information in the University's financial system.
- 4. If through this review it is determined that an unallowable expenditure has been assessed to a project, GCA will contact the responsible PI to either:
 - a. Correct the transaction; or,

- b. Perform a review of the facts associated with the expenditure.
 - 5. The review will identify who was responsible for the assessment of the expenditure, the circumstances surrounding placement of the unallowable expenditure on a sponsored project budget, and where the expenditure is to be transferred.
 - 6. OSP may be consulted to assist in the review process to ensure allocation of costs is completed in accordance with existing regulations, award conditions, and applicability to the scope of the project.
 - 7. Action will be taken by the unit to ensure unallowable costs are not placed on sponsored projects in the future. These actions could include a review of processes and procedures, identification of resources available in making cost determinations, and improvement of internal controls.
 - 8. Based upon the review, the unit will determine the severity of the infraction and the potential for recurrence. Taking into consideration the severity and potential for recurrence, the unit will make a recommendation for resolution.
 - 9. The GCA will consult with the Controller and the Vice President of Research in making the review decision.
 - 10. Once a review has been completed, any unallowable expenditure(s) shall be removed from the sponsored project budget and charged to the appropriate University fund. However, when the project sponsor has already reimbursed the unallowable cost, the appropriate University fund will refund the payment to the sponsor with interest, as required by federal cost principles.
 - 11. Copies of all back-up documentation for the review process and associated transfers must be retained by the unit in compliance with SBOE record retention policies.
- C. Remedial Actions.
- 1. Basis of Action.
 - a. Repeated or uncorrected errors by an individual, unit, or PI are treated as an institutional risk, not an isolated bookkeeping matter, and are Adequate Cause for remedial action independent of whether any single instance was intentional.
 - b. A single instance of noncompliance may be Adequate Cause for remedial action where the violation is material, involves falsification, or results in financial harm to the University or a sponsor.
 - c. A pattern of repeated noncompliance, regardless of the materiality of any individual instance, is, on its own, Adequate Cause for escalating remedial action, up to and including referral for disciplinary process and restriction of PI eligibility. Such

patterns place the University's sponsored funding, audit standing, and institutional budget at risk.

2. The Office of Sponsored Programs and Support (OSP), in consultation with the cognizant Dean, Department Chair, Research Compliance Officer, and/or Human Resources, as applicable, will determine the appropriate remedial action(s) based on the severity, frequency, and financial impact of the non-compliance.
3. Human Resources will document unallowable costs to sponsored projects in the PI's personnel file.
4. Available remedial measures include, but are not limited to:
 - a. Required Additional Training.
 - i. Individuals responsible for initiating, approving, or certifying direct charges may be required to complete or repeat training on allowable costs, cost transfer procedures, effort certification, and/or the applicable sponsor's terms and conditions.
 - ii. Completion may be required as a condition of continued authority to initiate or approve charges against sponsored project accounts.
 - b. Additional Review and Oversight.
 - i. The University may impose heightened pre- or post-award review of transactions charged to an individual's or unit's sponsored accounts, including mandatory secondary approval by OSP, Grant Accounting, or departmental research administration staff prior to charges posting, increased frequency of reconciliations, or targeted internal audit review.
 - ii. This oversight may remain in place for a defined probationary period or until the unit or individual demonstrates sustained compliance.
 - c. Reallocation of Unallowable Expenditures to Unit Index.
 - i. Costs determined to be unallowable, unsupported, or improperly charged to a sponsored project will be removed from the award and reallocated to the responsible department's or unit's non-sponsored (discretionary or general) index (see VI.B.10., above).
 - ii. The unit—not the sponsor or the University's central funds—bears financial responsibility for costs resulting from its noncompliance.
 - iii. This reallocation is corrective action and does not preclude the imposition of additional remedial actions under this section.
 - d. Referral for Disciplinary Process.

- i. Egregious violations, falsification of records, or repeat offenses following prior corrective or disciplinary action will be referred for review under the applicable disciplinary policy or faculty handbook provisions.
 - ii. Referral may occur parallel to, and independent of, any remedial actions imposed under this section, and does not require formal audit finding or sponsor disallowance.
- e. Restriction of Spending Authority.
 - i. The University may restrict an individual's authority to initiate, approve, or modify charges against sponsored indices, up to and including full suspension of index access.
 - ii. Restrictions may apply to a single award, all awards held by the individual, or all sponsored indices within a unit, and may remain in effect until specified corrective conditions are met.
- f. Restriction of Eligibility to Serve as Principal Investigator.
 - i. Where non-compliance is egregious, repeated, or indicative of a pattern of disregard for sponsor or University requirements, the University may restrict or suspend an individual's eligibility to serve as Principal Investigator or Co-Investigator on future proposals or awards.
 - ii. This restriction may be time-limited or indefinite and may be conditioned on completion of training, a probationary compliance period, or other corrective measures determined by OSP and the cognizant Dean.
- D. Remedial actions are not mutually exclusive and may be applied in combination or escalated where prior corrective measures have proven insufficient.

VII. RELATED LAWS, RULES, AND POLICIES

- A. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200);
- B. Cost Accounting Standards (48 CFR Part 9905);
- C. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200);
- D. 2 CFR § 200.468, Specialized Service Facilities;
- E. 48 CFR Part 9905, Cost Accounting Standards for Educational Institutions;
- F. 49 U.S.C. § 40118, Fly America Act;

- G. 2 CFR Part 200 (Uniform Guidance);
- H. ISUPP 1030 *University Records, Archives, and Publications*
- I. ISUPP 7140 *Service Center and Recharge Operations*