

William Paterson University Policy

Functional Policy

SUBJECT:	University Policy	TITLE:	Costing Policy for Proposal Development and Award Management		
CATEGORY: Check One	Board of Trustees <input type="checkbox"/>	University <input type="checkbox"/>	Functional <input checked="" type="checkbox"/>	School/Unit <input type="checkbox"/>	
Responsible Executive:	Provost and Senior Vice President for Academic Affairs		Responsible Offices:	Office of Sponsored Programs	
CODING:	00-01-	ADOPTED:	09/30/2020	AMENDED:	

LAST REVIEWED: 09/30/20

I. PURPOSE

The purpose of this policy is to establish consistent practices for defining direct, indirect and Cost-Sharing costs as part of a proposed sponsored project in accordance with Federal or other sponsor requirements.

II. ACCOUNTABILITY

Office of Sponsored Programs (OSP) and the Office of the Controller.

III. APPLICABILITY

This Policy is applicable to all departments, units and personnel of William Paterson University of New Jersey (WPUNJ) involved in developing a proposal and managing an award.

IV. DEFINITIONS

Cost principles: are those factors that are used to assess allowability of costs. These principles state that costs must be necessary, reasonable and allocable, and conform to limitations set out by regulation and the award itself. Additionally, 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 a modified total direct cost or indirect cost (F&A).

Direct costs: Specifically, identifiable costs that are incurred to achieve the goals, objectives and activities of a grant, cooperative agreement or contract.

Indirect (F&A) costs: Costs of doing business that are not readily assignable to a particular sponsored project but are necessary for the general operation of WPUNJ. This generally is meant to include the cost of utilities, general administrations services and resources, and office space and campus facilities that are used by the project but whose costs cannot be easily computed and assigned to the project.

The allowability and formulas for use of indirect cost rates vary from grant to grant. For example, the sponsor may require that WPUNJ uses a rate based on the total direct cost, or salary and wage costs, or the total modified direct costs (i.e.: direct costs less equipment and participant support).

Cost Sharing or matching: Cost sharing or matching is the portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute). Cost Sharing can be mandatory or committed voluntarily.

Reasonable: A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Allocable: A cost is allocable to a particular award if the goods or services involved are chargeable or assignable to that award in accordance with relative benefits received.

Allowable: A permitted direct or cost-shared cost included in the terms of a specific grant or contract.

Timely: All costs charged to sponsored projects must be charged in a timely manner.

Consistently Treated: Costs incurred for the same purpose, in like circumstances, must be treated uniformly either as direct or indirect costs. Consistent treatment of costs must be applied across WPUNJ and be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-federal entity.

Consistency: A cost or transaction that is treated consistently following university policies and procedures related to similar costs and transactions.

FOAP: is the Fund, Organization, Account, and Program code used to record financial transactions in Banner.

V. BACKGROUND

[PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS](#), federal cost principles must be applied uniformly to all federal awards and must be consistent with policies and procedures that apply to both federal awards and other activities of the university.

WPUNJ has elected to assign these principles to awards from all sponsors unless the sponsor has other specific rules or adherence is impracticable.

VI. REFERENCE(S) (optional)

2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

VII. POLICY

A. Requirements:

This policy (whether funded by the sponsor or cost shared by the institution), is used as a guide for proposal development and award management. The budget preparation ensures that direct, cost shared and indirect costs included in the proposal and costs charged to a sponsored project are necessary, reasonable, allocable, consistently treated and timely to the sponsored program and comply with sponsor terms and conditions as well as WPUNJ policies and procedures and applicable Federal, State and local regulations.

B. Responsibilities:

1. Office of Sponsored Programs: Submitting and negotiating adequate justification and description of direct, cost shared and indirect costs in proposals. Ensuring that the budget in a proposal submitted for institutional approval is reasonable, necessary, allowable and allocable, and follows WPUNJ policies and procedures.
2. Project director: The project director is responsible with the support of WPUNJ's resources, policies and practices, for ensuring appropriate financial management, compliance with sponsor terms and conditions, and determining actual personnel effort expended on a sponsored project. The Project director supervises an administrative assistant who is responsible for entering requisitions and other purchasing requirements.

3. Post-Award Grants Administrator: Review of expenses, monitoring reports, and final determination of the use of direct and cost shared costs. Ensuring that costs charged to a sponsored project are necessary, reasonable, allocable, consistently treated, and timely and follow WPUNJ policies and procedures.

VIII PROCEDURES

The Uniform Guidance Subpart E, Cost Principles, establishes the principles for determining costs charged to a sponsored program. A cost must be allowable, reasonable, allocable, consistently treated and timely to the particular program and be incurred within the limitations set out by the sponsor, including seeking approval prior to changing costs in the award.

1. Costs Considered Direct Costs:

As §200.412 (Classification of costs) of the Uniform Guidance States, “There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or cost sharing expense in order to avoid possible double-charging of Federal awards.”

The following types of costs can generally be directly charged to a sponsored agreement if they can be specifically identified to the work performed under the agreement. Allowability of these costs should be documented at the proposal stage and throughout the project.

Typical allowable direct costs include: (see Exhibit A and B for more guidance)

Salary, wages, fringe benefits

- Full-Time Faculty
- Adjunct Faculty
- Non-Faculty Project Staff
- Fringe Benefits
- Administrative Support
- Students:
 - Graduate Assistants
 - Graduate research Assistants
 - Undergraduate Research Assistants
 - Tuition Remission

Materials and Supplies

- Chemicals
- Supplies and computing devices
- Equipment
- Laboratory Supplies
- Computer Software
- Books
- Minor equipment
- Photographic Supplies
- Tools

Other Direct Costs

- Travel
- Consulting Services
- Participant Support Costs
- Stipends
- Scholarships
- Printing
- Computers
- Equipment
- Sub-Awards
- Office Supplies
- Equipment Rentals

Typical Unallowable costs (if in doubt call OSP, business services and review the Uniform Guidance § 200.420 – 200.475):

- Advertising costs including promotional items and souvenirs
- Alcoholic beverages
- Food for non-programmatic activities
- 1st Class Travel and Travel insurance
- Entertainment
- Fines and Penalties
- Goods or services for personal use of employees
- Any expenses not directly related to the project

2. Costs Considered Indirect Costs (F&A):

Indirect costs: Costs that the University incurs to support all research/sponsored program activities on campus (e.g., maintenance of University lab facilities, utilities, University administration, library, sponsored programs) Examples include:

- Administrative and Clerical Salaries
- General support by department, college/unit and senior level administrators as well as by support units such as OSP, Business Services, Marketing, Public Relations, etc.
- Internet Services
- Software Packages (Word, Excel, Access)
- Office Furniture
- Postage
- Office/general purpose supplies (Books and reference material, custodial supplies, pens, pencils, files, folders, staples, calculators, etc.)

3. Cost Sharing/ Matching:

Cost sharing is any project cost that is not reimbursed by the sponsor to support the scope of work defined by the federal, or non-federal, sponsored award. Cost-Sharing occurs when a portion of the total cost of a sponsored project is borne by WPUNJ rather than the sponsor. It becomes a University commitment and represents a legal, binding obligation of the University once the award has been granted.

The Uniform Guidance makes no distinction between cost-sharing and matching. However, matching usually refers to the specific ratio between the amount of the award and the amount committed by the

recipient, such as a dollar-for-dollar match (1:1). Cost sharing is a more general term and used in this document to refer to both cost-sharing and matching.

A. There are three types of Cost sharing:

- **Mandatory cost sharing:** Costs required as a condition to receive an award, and specified by the agency in the proposal guidelines or program announcement.
- **Voluntary committed cost sharing:** Costs that are not a condition of the award, but that WPUNJ voluntarily commits by describing and quantifying specific costs in a proposal budget, budget justification or application narrative.
- **Voluntary uncommitted cost sharing:** Costs WPUNJ incurs as part of completing the project but that were not disclosed nor committed in the proposal. This includes overspending.

B. Cost-Sharing Approval: WPUNJ limits cost-sharing to that which is mandated by the sponsor. In some instances of voluntary cost-sharing, the University may determine that cost-sharing may be an implied mandate by a private non-federal sponsor necessary to the project's funding outcome. PIs, Department Chairs, and Department Heads should refrain from making voluntary commitments of cost share that are not supported by the program guidelines or project goals.

All proposed mandatory and voluntary commitments of cost-sharing arrangements must be discussed with and approved by the Chair and Dean, or Department Head and Divisional VP before the proposal is submitted to OSP. The signed Project Approval Sheet is the internal document that confirms WPUNJ's acceptance of cost share commitment to the sponsor and the department responsible to provide the FOP to pay for the cost sharing. The OSP will facilitate the final step to get this document signed by the Provost or appropriate VP prior to submission.

Prior to considering University cost-share on a sponsored proposal/project:

- The PI should confer with the Chair/Department Head and/or Dean/Divisional VP regarding a cost-share strategy to meet the sponsor's requirements;
- The PI, Chair/Department Head, and/or Dean/Divisional VP may wish to contact OSP to discuss the specifics of the proposal and to determine the sources of funds to meet this requirement; and
- All cost-sharing commitments must be indicated and approved by Chair/Department Head, Dean, Provost or appropriate VP and the Office of the Controller prior to submission.

C. Source of Funds: The PI is responsible for identifying all sources of funds for cost-sharing of direct costs. The PI may not utilize funds from an existing federal award as the source of cost-sharing, except as authorized by statute. Cost-sharing is typically funded by donation of academic year time/effort, associated fringe benefits, or other department designated funds. Cost-sharing may also include indirect costs associated with the identified direct costs if the sponsor allows indirect costs to be included as cost-sharing.

The Cost Share Commitment can be calculated as:

- a **Fixed** dollar amount,
- a **Match** where the amount of funds provided by the sponsor will be matched by the amount of funds provided by WPU (1:1 match),
- a **percentage** of the amount provided by the sponsor (20% of the funds provided by the sponsor), or

- a commitment of **Effort** (25% commitment)

D. Allowable Cost-Sharing Expenditures on Federal Awards: Cost-sharing expenditures must satisfy all of the following criteria:

- Verifiable from the official University records;
- Not previously used as cost-sharing for another project (the same cost-sharing expenditures cannot be used for multiple projects);
- Necessary and reasonable for proper and efficient accomplishment of the project;
- Allowable under the terms of the award
- Incurred during the effective dates of the grant or during the pre-award phase when authorized by the sponsor; and
- Not paid by the Federal Government under another award.

E. Unallowable Cost-Sharing Expenditures on Federal Awards: The following expenditures cannot be offered as cost-sharing commitments in sponsored project proposals:

- Costs considered unallowable by the sponsor;
- Salary amounts exceeding a regulatory salary cap (e.g., National Institutes of Health);
- University facilities such as laboratory, meeting or classroom space. PIs should not commit the use of facilities as cost-sharing, but rather characterize the facilities as “available for the performance of the sponsored agreement at no direct cost to the project.”

4. Cost Transfers:

Cost transfers are required when expenses are incorrectly charged to a particular grant or when a grant expense is incorrectly charged to a non-grant FOAP. Cost transfers include payroll reallocations and invoice reclassifications between FOAP's. All corrections must be posted as soon as possible, but no later than 30 days from the date the original expense appears in Banner. Additionally, all final corrections must be forwarded to the Post-Award Grants Administrator within 10 days of the grant's termination date.

(The Policy and Procedure for Cost Transfers was created by and is managed by the Office of the Controller)

[Policy and Procedure for Cost Transfers](https://www.wpunj.edu/dotAsset/291856.pdf)

(<https://www.wpunj.edu/dotAsset/291856.pdf>)

5. Costs Requiring Prior Approval

If prior approval is required, the project director must seek sponsor approval by submitting the request through OSP. (see Exhibit C for a sample Prior-Approval Matrix)

IX. EXHIBIT(S) (optional)

Exhibit A: Direct Cost Guidelines

Exhibit B: Guidance for Budgeting and Charging Direct Costs on Sponsored Projects

Exhibit C: Prior-Approval Matrix

By Joshua Powers, Provost and Senior Vice President for Academic Affairs

Date

10/2/2020

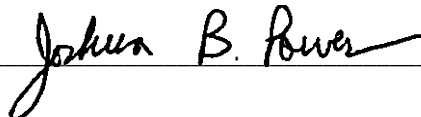


Exhibit A: Direct Cost Guidelines*

WPUNJ has elected to assign the cost policies of the federal government, contained in the Uniform Guidance, 2 CFR Part E, as the standard for all sponsored activities.

If the sponsored agreement specifically states that the expense is unallowable, it cannot be charged to the project irrespective of its appropriateness to the project.

The table below provides information regarding the allowability of some of the most common items of costs charged as direct. *In the case of an inconsistency between the provisions of a specific agreement and the provisions below, the provisions of the specific agreement should govern.* It is also recognized that WPUNJ enters into agreements with private sponsors who have no specific rules regarding costing policies. If those agreements are not for research projects but are for other activities, certain exceptions to the following guidelines may be made.

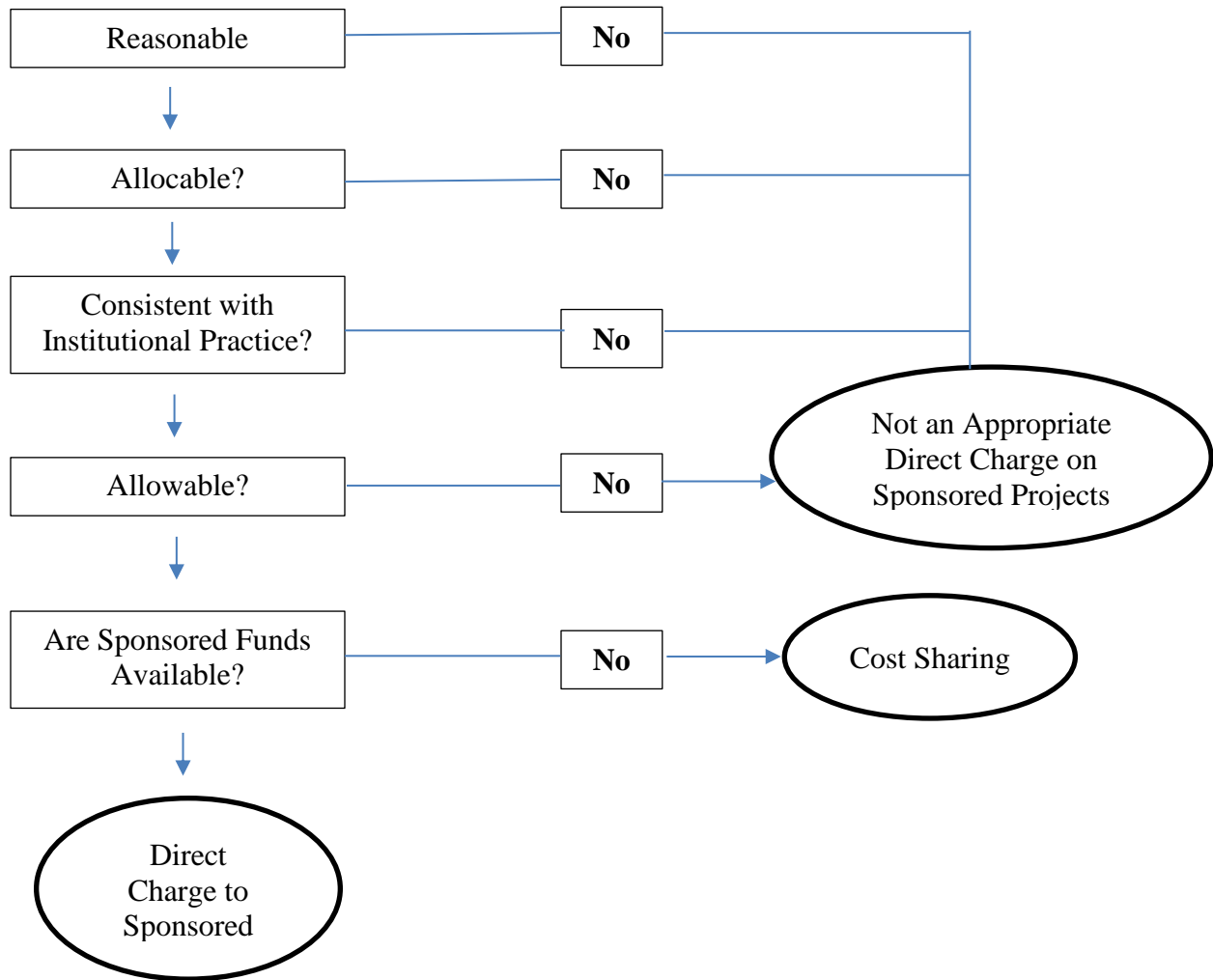
Direct Cost	Normal Treatment
Salaries, Wages, and Benefits <ul style="list-style-type: none"> • Faculty • Postdoctoral fellows • Graduate students • Undergraduate students • Technical personnel • Administrative and clerical staff 	Costs of personnel are allowable on sponsored agreements to the extent supported by actual effort performed on the project and approved in the award budget. An individual's base salary must be used to compute the cost charged to a sponsored agreement; extra compensation or supplemental pay for work on sponsored programs is unallowable except in extraordinary circumstances. Administrative and clerical costs are generally recovered through indirect costs and not charged directly to the project. To be charged as a direct cost the following conditions must be met: <ul style="list-style-type: none"> • Administrative or clerical salaries are integral to a project or activity; • Individuals involved can be specifically identified with the project or activity; • The costs are explicitly included in the budget or have the prior written approval of the sponsor
Business Meals and Meeting Costs	Only when specifically permitted by the sponsored agreement or is an integral part of the sponsored project—for example, meeting costs associated with project associated with project advisory groups
Donations and contributions	Unallowable
Entertainment Costs	Unallowable unless specifically approved
Equipment	Scientific or special purpose equipment: allowable when the equipment is necessary and will be used primarily, or exclusively, for the project(s) to which the costs will be charged. General Purpose Equipment such as office equipment: unallowable without the prior written approval of the sponsor. The University's equipment definition is an acquisition cost of \$5K and a useful service life of 1 year or more. Computers that do not meet the definition are considered supplies. These are consistent with federal regulations.
Internet Costs	Costs of Internet connections from a person's home are generally unallowable.
Local telephone (including monthly instrument charges)	Local telephone costs are generally unallowable as a direct cost. However, there are certain circumstances where these charges may be directly charged to a research project such as instances where participants are required to call into a specific telephone line.
Long distance telephone	Allowable when specifically identified with a specific project

Materials (supplies, purchased materials, etc.)	Project supplies: items such as chemicals, laboratory supplies, and even pens, pencils, folders, notebooks, and the like that can be identified as being “exclusively for the support of” a sponsored program are allowable. Office supplies: Items commonly found in any office such as wall clocks, calendars, waste cans, letterhead, staplers, etc. that would likely be used for purposes other than the award are unallowable except in special circumstances. Computing equipment and software: These are allowable costs if they do not meet the Institution’s definition of equipment (see above).
Memberships (scientific or professional societies)	Unallowable unless specifically approved by the sponsor
Postage	Routine postage charges: unallowable except where a project requires specifically identifiable large mailings or the like. Special mailing or delivery charges: Allowable when necessary for the success or completion of a project (example: overnight delivery charges for shipment of perishable research materials to collaborators or from suppliers)
Pre-Agreement Costs	Unallowable unless approved under the provisions of the specific funding agency
Professional services	Consultant fees are an allowable charge to sponsored agreements. Sponsor guidelines should be checked. “Honorariums” are typically not allowed; rather they should be payments to consultants for services received.
Publications (books, subscriptions)	Unallowable unless approved by the funding agency or essential to the daily conduct of the project and not readily available from other sources such as the Internet or the library
Scholarships and Student Aid	Only when specifically permitted by the sponsor agreement.
Travel Costs	Allowable if specifically benefitting the project; with few exceptions, airfare cost should not be in excess of the basic least expensive unrestrictive fare. Institutional policies must be followed. Foreign travel (using federal funds): U.S. flag carrier or Open Skies requirements apply Such travel may require specific agency approval. Sponsor regulations should be consulted.
Visa Costs	Visa expenses incurred on behalf of project personnel are allowable consistent with the person’s payroll appointment to the project. Expedited fees are not allowable.

*National Council of University Research Administration. (2017). *Sponsored Research Administration: A Guide to Effective Strategies and Recommended Practices*, volume 2, (Section 3305.7), page 9-17

Exhibit B: Guidance for Budgeting and Charging Direct Costs on Sponsored Projects*

Is the Cost...



*National Council of University Research Administration. (2017). *Sponsored Research Administration: A Guide to Effective Strategies and Recommended Practices*, volume 2, (Section 3305.7), page 9-17

Exhibit C: Prior-Approval Matrix*

Approval Requirements for Awards	
Prior approval is required for:	How approval is obtained
Change in (modification of) scope	Written request to sponsor
Change in (modification of) budget	Written request to sponsor when the change exceeds the sponsor's budget modification limits
Change in project director or principal investigator	Written request to sponsor
Changes in status of key personnel (Withdrawal from the project; absence for any continuous period of 3 months or more; reduction of time devoted to project by 25% or more from level in approved application)	Written request to sponsor
Adding or removing a subrecipient from an award	Written request to sponsor
Carryover of unobligated balances	WPUNJ can approve as allowed by sponsor
Deviation from award terms and conditions	Written request to sponsor
Foreign component added to a grant to a domestic organization	Written request to sponsor
Need for additional funding	Written request to sponsor, including extension of a final budget period of a project period with additional funds
Pre-award costs (More than 90 days before effective date of the initial budget period of a new or competing continuation award, at grantee's own risk)	WPUNJ can approve if allowed by sponsor and an award notice with award period start date has been received
No-cost extension of up to 12 months	Written request to sponsor
Transfer of funds between construction and non-construction work	Written request to sponsor
Transferring amounts from participant support or trainee costs	Written request to sponsor

*National Council of University Research Administration. (2017). *Sponsored Research Administration: A Guide to Effective Strategies and Recommended Practices*, volume 2, (Section 3305.7), page 9-17