

Determining Direct and Facilities & Administration (F&A) Costs

Effective Date: 12/26/14
Function: Sponsored Programs and Cost Accounting
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Background

Office of Management and Budget (OMB) 2 CFR Part 200 Cost Principles (Subpart E) and Appendix III provide guidance on defining and determining direct and indirect (F&A) costs, setting forth the principles for determining what costs are allowable as chargeable to federally sponsored projects. These principles apply not only to the direct charges, but also to all charges included in the calculation of the indirect cost rate.

Direct Costs

Direct costs are those costs that can be either identified specifically with a particular activity, or that can be directly assigned among specific activities relatively easily with a high degree of accuracy. Examples of direct costs are salaries and wages, fringe benefits, equipment, supplies, travel, and publication expenses.

F&A Costs

Facilities and Administrative (F&A) costs, sometimes referred to as indirect costs, are those costs incurred for a common or joint purpose benefitting more than one project or activity, and therefore not readily assignable with a specific project. The two types of F&A costs are described below:

Guideline Recommendations

F&A Cost	Descriptions/Examples
Facilities	
Operation and Maintenance Expenses	Administration, supervision, operation, maintenance, preservation and protection of the institution's physical plant. Examples include utilities, janitorial services, routine maintenance and repairs, and facilities services.

Library Expenses	Operations of the library including books, materials, library staff, and library-related services.
Depreciation	Method for allocating the cost of fixed assets to periods benefitting from asset use (excludes those costs paid for by the federal government). Examples include building and equipment depreciation.
Administrative	
General Administration and General Expenses	General executive and administrative offices of educational institutions. Examples include accounting, payroll, administrative offices, and other general institutional services not related solely to any major function of the institution.
Sponsored Projects Administration Expenses	Costs incurred by a separate organization established primarily to administer sponsored projects, including such services as grant and contract administration, special security, purchasing, personnel and administration.
Departmental Administration Expenses	Administrative and supporting services that benefit common or joint departmental activities or objectives in deans' offices, academic departments and divisions, and organized research units.
Student Administration and Services Expenses	Administration of student affairs and for services to students including services provided by deans of students, admissions, and registrar's office.

Determining if a Cost is Direct:

Allowable

For a cost to be directly charged it must be deemed allowable. Allowable costs must:

- be reasonable and necessary and allocable
- conform to any limitations or exclusions of the award
- be consistent with policies and procedures
- be consistently treated for the same purpose in like circumstances
- not be included as a cost or used as cost sharing or matching for another federal award (for federal awards)
- be adequately documented

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 at the time the decision was made to incur the cost.

Allocable

A cost is allocable if the goods or services involved are chargeable or assignable to that

award or cost objective in accordance with relative benefits received.

Consistently Treated

A cost may not be charged 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 an indirect cost.

Unallowable

A federally sponsored project may not be directly or indirectly charged for any item or service that is specifically designated as unallowable in 2 CFR Part 200, Subpart E, sponsor guidelines, or in the award terms and conditions.

Costs Normally Treated as F&A Costs

The following are examples of costs normally treated as F&A costs, and, where applicable, instances when they may be directly charged.

Office Supplies

The costs of general office supplies such as pencils, pens, paper clips, memo pads, and file folders, are normally treated as F&A costs. The direct charging of office supply costs may be appropriate for such costs as research notebooks and computer paper used for a specific project.

Postage

The costs of postage for routine correspondence are normally treated as F&A costs. The direct charging of postage costs may be appropriate for such costs as the shipment of materials, bulk mailings, and mailing of deliverables.

Local Telephone

The costs of basic service and local calls are normally treated as F&A costs. The direct charging of local telephone costs may be appropriate for such costs as a separate telephone line dedicated solely for the performance of a sponsored project.

Note that long distance toll charges that are reasonable and necessary to the performance of a project may be charged directly.

Memberships and Subscriptions

The costs of an institution's memberships in or subscriptions to business, technical, and professional organizations or periodicals are normally treated as F&A costs and are rarely appropriate as direct charges.

Administrative and Clerical Services

The salaries of administrative and clerical staff are normally treated as F&A costs. See Charging Administrative and Clerical Salaries to Sponsored Programs for details about the appropriate charging of these costs as direct expenses.

Although normally treated as F&A costs, these costs can be charged directly. Operating locations who charge these costs directly must consider if each cost:

- Meets the definition of a direct cost.
- Meets the basic cost considerations in 2 CFR Part 200.
- Is incurred in unlike circumstances (circumstances different from the normal operations of an institution).
- Has been justified in writing and is either approved in the budget, or approved by a designated official of an operating location with rebudgeting authority.

A sponsor approved budget including these costs does not in itself mean these costs are

allowable.

Related Documents

[Excerpts: Unallowable Costs](#)

On or after December 26, 2014, 2 CFR Part 200 is effective and applies to all new awards issued. Funding awarded prior to this date and/or incremental funding may still be governed by OMB Circular A-110, A-21 or A-133, depending on the awarding agency's specific terms and conditions.

Change History

Date	Summary of Change
December 11, 2014	Supersedes Determining Direct and Indirect Costs.

Feedback

Was this document clear and easy to follow? Please send your feedback to webfeedback@rfsuny.org.

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