GUIDANCE ON DIRECT CHARGING COMPUTERS TO SPONSORED PROJECTS

The term “computer” encompasses all information technology equipment, including high-end mainframes, minicomputers, personal computers (microcomputers used by a single user such as desktops, iPads, tablets, eReaders and laptops), and smartphones regardless of whether the item meets the $5,000 capital equipment threshold. Computers include the hardware and software components needed for the programmatic conduct of the sponsored project or program. Computers are generally used for various activities such as instruction, research, administration, and personal use. It is therefore difficult to ensure their allowability or allocability as a direct cost to one specific sponsored project or program.

The following criteria must be satisfied for a computer to qualify as a direct cost to a sponsored project or program:

- **It must be necessary** for and provide direct benefit to the project. The computer must be essential for project activities and its use should be sufficiently tracked during the life of the project.

- **It must be allowable.** The purchase of a computer is only considered allowable if it meets one of the following (2) criteria: The computer is functioning as or is in direct support of specialized scientific equipment, and scientific equipment is an allowable expense according to the sponsor’s terms and conditions of the award. Or, the “principal use” of the computer is to support the project’s programmatic activities, and it would not have been purchased other than to support the goals of the project.

- **It must be directly allocable.** The “principal use” of the computer must be identified specifically with the purpose, goals, and activities of the sponsored project or program. If a computer is directly charged to a project and is used other than incidentally for general administrative purposes, the appropriate allocation of the cost is required.

A computer may be allocated to one or more sponsored program or project unless the sponsor's terms and conditions of the award prevent such an allocation. The allocation requires that the computer be used primarily to conduct the research of each project.

- **It must be reasonable.** There must be an informed, prudent decision regarding the cost, utility, and value of the computer to the sponsored project or program. (The documentation for “principal use” will satisfy this test).

- **It must be non-personal in nature.**
PRINCIPAL USE

In some circumstances, the use of computers specifically required for individual sponsored projects or programs can be justified as directly benefiting those awards and may be an allowable direct charge to a sponsored project or program when the conduct of the research requires a computer. In order to support the allowability criteria of “principal use”, a computer must be used primarily for the programmatic conduct of the sponsored project or program and should not be used for non-programmatic purposes on more than an incidental basis.

Criteria for incidental use include the following:

Incidental use never interferes with project use.

Incidental use is solely for short time periods for convenience purposes only (e.g., quick e-mail check, preparing short occasional document, etc.).

Incidental use itself would not have justified the purchase of the computer.

Incidental use does not require removing the computer from the project location.

(The use of a laptop computer to store non-sponsored project information or for use outside of the lab or office where the research is conducted - except for field work - is likely to be questioned during an audit of the allowability of the laptop computer on a project.)

Examples of circumstances whereby a computer might qualify as a direct cost to a sponsored project or program are as follows:

A computer is functioning as, or is in direct support of, scientific equipment that is required for collection and/or analysis of data for the project.

A computer is specifically needed to record data while the researchers are in the field at a remote location (such as an archeological site). In such situations, the computer is used either exclusively or primarily for the project.

Training grant institutional allowance funds might be used to purchase a computer for a student supported on the training grant in order for the student to document their research.

ALLOCATION

A computer may be allocated to one or more sponsored program(s) or project(s) unless the sponsor’s terms and conditions of the award prevent such an allocation. The allocation requires that the computer be used primarily to conduct the research of the project(s). This allocation of costs should be made at the time of purchase.

An example of an appropriate allocation of costs may be a computer that is purchased specifically for two projects. The computer will be used 40% for Project A and 60% for Project B. The cost of the computer would be charged to the projects based on the proportionate benefit to each project.
Therefore, 40% of the cost is allocated and directly charged to Project A, and 60% of the cost is allocated and directly charged to Project B.

Another example of an appropriate allocation of costs may be a computer that is purchased for partial use on a sponsored project and will also be used for incidental use. In this example the cost would also be charged to the sponsored project based on the proportionate benefit for the project and the remainder of the cost would be allocated to the department’s Facilities and Administrative (F&A) cost pool. Therefore if the computer will be used 50% on a sponsored project, 50% of the cost would be directly charged to the grant or contract and the remaining 50% would be charged to the department’s F&A account.

**Caution:** If an appropriate basis such as actual usage cannot be identified to allocate the costs with relative ease and with a high degree of accuracy at the time of purchase, such costs cannot be considered a direct cost on a sponsored project or program.

**DOCUMENTATION OF PRINCIPAL USE**

During the proposal preparation process, the need for a “principal use” computer should be budgeted and included in the justification. The purpose and direct benefit to the project should be fully described and explain how the project will be negatively impacted if the computer is not purchased. In addition, the budget justification section of the proposal should affirm that the use of the computer is different from general purpose computers normally included in the F&A and that the “principal use” criteria are satisfied. The multipurpose capability of smartphones results in expenditures that normally fall under F&A (Communications and General Purpose Equipment costs). Therefore, you would need to make the same “principal use” justification for all uses of a smartphone. In practical terms, this creates a strong presumption that a smartphone would rarely qualify as a direct charge.

If the need for a computer was unknown during the proposal process and identified subsequently during the award process, the same justification needs to be documented and maintained in the award file. If the sponsor requires prior approval of the computer purchase, the Office of Sponsored Research (Award Management Program Administrator) will submit the request to the sponsor.

**FEDERAL REGULATIONS REGARDING COMPUTERS AND COMPUTER-RELATED COSTS ON FEDERAL AWARDS:**

A-21 (more commonly referred to as the University cost principles)

OMB Circular A-21 (now 2 CFR Part 220) states a clear expectation that certain types of costs will be included in the institution’s F&A cost rate and will not be charged as direct costs to Federal projects.

General purpose office supplies (below the $5,000 federal threshold) are considered to be administrative costs and are therefore generally not allowable as direct charges to federal awards.
Exceptions may be allowed if fully justified and approved through OSR’s prior approval process for computers. [http://research.unc.edu/offices/sponsored-research/policies-procedures/section-500/policy-17/]

SPONSOR-SPECIFIC GUIDANCE

The following list includes computer charging policies from some federal agencies and is not considered a comprehensive listing, as other federal agencies may further restrict the allowability of computers.

NIH Grants Policy Statement:

“Direct Costs and Facilities and Administrative Costs Project costs consist of the allowable direct costs directly related to the performance of the grant plus the allocable portion of the allowable F&A costs of the organization, less applicable credits (as described below and in the cost principles). A direct cost is any cost that can be specifically identified with a particular project, program, or activity or that can be directly assigned to such activities relatively easily and with a high degree of accuracy. Direct costs include, but are not limited to, salaries, travel, equipment, and supplies directly benefiting the grant-supported project or activity.”

“Office equipment (copiers, laptops, desktop computers, personal handheld computers, fax machines, scanners, etc.) that is used for general office purposes (rather than justified as a specific research purpose) are not allowable as direct costs; they are allowable as an F&A cost.”

NIH Award Example:

"This award does not include funds for the support of computers, and printers as requested in the application. In accordance with OMB Circular A-21, these costs are considered unallowable as direct costs, but, if appropriate, may be charged to the project as F&A costs."

NSF Proposal and Award Policies and Procedures Guide:

“General Purpose Equipment” - Expenditures for general purpose equipment are unallowable unless the equipment is primarily or exclusively used in the actual conduct of the research.”

NASA Guidebook for Proposers:

“General purpose equipment (i.e., personal computers and/or commercial software) is not allowable as a direct cost unless specifically approved by the NASA Award Officer. Any general purpose equipment purchase requested to be made as a direct charge under this award must include the equipment description, an explanation of how it will be used in the conduct of the research proposed, and a written certification that the equipment will be used exclusively for the proposed research activities. The need for general purpose items that typically can be used for research and non-research purposes should be explained; Purchase of Personal Computers and/or Software - Such items are usually considered by NASA to be general purpose equipment that must be purchased from general, organizational overhead
budgets and not directly from the proposal budget unless it can be demonstrated that such items are to be used uniquely and only for the proposed research.”

FREQUENTLY ASKED QUESTIONS

Q. What criteria may be used to determine whether a computer directly benefits a sponsored project or program?

A. Computer uses that directly benefit a sponsored project or program:

1. Instrument control
2. Data acquisition from an instrument
3. Numerical calculations and simulations
4. Image and video analysis
5. Data analysis and manipulation
6. Data mining
7. Computer code writing
8. Data storage for the sponsored project
9. Preparation of testing materials and recording of participant responses

Computer uses that are not a direct benefit to a sponsored project or program:

1. Proposal preparation
2. Progress report preparation for the research results
3. Publication development related to the research
4. Presentation creation related to the research
5. Library resource access (e.g., journals, books, etc.)
6. Administrative activities including email, internet research, budgeting, procurement, human resource management, effort reporting

Q. The researcher cannot perform the research without a computer. Why can't we charge it to our sponsored project?

A. A computer may be direct charged to a sponsored project as long as it meets the criteria outlined in this policy.
Q. If my proposal included the budgeted computer cost, and the sponsor awards the full funding amount, isn’t this considered “approved by the sponsor”?

A. The fact that a cost included in a proposal budget is awarded by the sponsor, as requested, does not ensure a determination of allowability. The University is responsible for treating costs consistently and must not include costs associated with our F&A rate as direct costs.

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