FEDERAL COSTING PRACTICES: CHARGING COMPUTING DEVICES
AND PERIPHERALS

The proper classification of any cost as direct or indirect (F&A) should be determined based on a logical
thought process. This process is accomplished in four (4) steps and serves as an internal control
mechanism:

1. **Review** – All applicable regulations, terms and conditions, policies, procedures applicable to the
   project/award. This includes sponsor, State and institutional regulations, policies and procedures.

2. **Judgment** – Proper allocation of costs should be based upon the specific purpose of the award
   considering the technical goals/aims to be delivered rather than the ‘need’ for certain items of cost
   that are considered ancillary or a part of ‘doing business/infrastructure costs’.

3. **Justification** – Complete, adequate written justification regarding the actual use of the computing
   devices/peripherals toward attainment of technical/scientific outcomes along with distinct
   allocations of the computing devices/peripherals should be documented in support of the direct
   cost.

4. **Agency Approval** – Occurs upon award, only when the computing and peripheral devices have
   been expressly budgeted (which is often not a budgeting requirement).

**Normal Classification of Computing Devices (and Peripheral Costs by definition)**

As cited in 2 CFR, Part 200; Subpart E; Section 200.453 - Direct costs:

Computing devices as defined in 2 CFR Part, Section 200.20 are:
Machines used to acquire, store, analyze, process and publish data and other information electronically,
including accessories (or peripherals) for printing, transmitting and receiving or storing electronic
information.

Section 200.453 further states that these items are essential and allocable (normally not solely
dedicated) to the performance of a Federal award.

Computing devices, costing less than $5,000 per item, should be included under the budget category
‘Materials and Supplies’ in proposals.

The following would not be considered allowable or allocable direct costs as they do not meet the
definition of a direct cost nor are essential to the performance of an award. This listing is not exhaustive.
- Mouse pad
- Paper
- Toner
- Carrying cases
- Screen Protector
- Screen Cleaner
- The purchase of devices for reasons of convenience or preference

**Additional Criteria:**
In addition to the definition above, the following must be satisfied in order that computing devices and
peripheral costs can be considered as a direct cost (2 CFR Part 200 Sections 200.403-405):
**Meet the Definition of Direct Cost** – The cost is specifically identifiable with the objectives of the project/award, and that this identification is made with relative ease and a high degree of accuracy.

**Consistent** - All costs incurred for the same purpose, in like circumstances, are either to be treated as direct costs OR as indirect (F&A) costs. According to Subpart E, 200.419 of the Uniform Guidance, this includes consistency in estimating, accumulating and reporting costs, as well as consistency in allocating costs incurred for the same purpose.

**Allowable** - The cost may be considered allowable when it is:
- Necessary and reasonable for the performance of the Federal award,
- In conformity with any limitations or exclusions set forth in the Uniform Guidance (2 CFR Part 200) or in the sponsored agreement as to types or amounts of cost items,
- Consistent with policies and procedures that apply uniformly,
- Documented for review

**Allocable** - The project that pays the expense must directly and proportionally benefit from that cost. This important concept is known as the “point of allocation”. A cost is allocable if it is:
- Incurred specifically and solely for the sponsored award,
- Beneficial both to the sponsored award and other work, and can be distributed in reasonably approximated proportions,
- Necessary to the overall operation, and is assignable in part to the sponsored award

**Allocation Guidance:** An allocation basis of 100% of the computing device/peripheral costs to a federal award(s) is normally not acceptable given the multi-purpose functionality and use of these items. When the 100% allocation basis cannot be supported, some percentage of the item costs should be charged to other university fund sources. Considerations in allocation percentages should include:
- the physical location of the items (PI office, Laboratory, used in travel, etc),
- the types of employees utilizing the items,
- the types of software run by the items,
- the types of information the devise is storing, analyzing, publishing, etc.

In some circumstances a direct charge of 100% of the item(s) is acceptable when the item(s) is solely dedicated to the project/activity being charged with no other uses of the machines/peripherals present or other activities receiving a benefit. This generally means there is no random student use, no general email correspondence, no general communication usage, no information storage not related to the project/activity being charged.

While no prior agency approval is required, computing devices should be itemized in the proposal budget (or in the case of NIH Modular Grant applications, itemized in the budget provided to the Office of Sponsored Research/Office of Sponsored Programs in the School of Medicine).

**Reasonable** - The cost may be considered reasonable if the nature and amount of the goods/services acquired reflects the same action that a prudent person would have taken under the same circumstances in incurring the cost:
• Whether the cost is of a type generally recognized as ordinary and necessary for the performance of the sponsored agreement,
• Has been determined to be reasonable by the individuals concerned, acting with due diligence in the same circumstances,
• Has been determined through sound business practices, Federal, state and other laws and regulations; costing policy, and is consistent with established institutional policies and practices
• Market prices for comparable goods/services for the geographic area have been considered

INTERNAL CONTROLS:

REVIEW OF COSTS
The Office of Sponsored Research, as the authorized institutional official, will conduct periodic reviews in the selection of random financial transactions involving these costs to help ensure that the costs are appropriate, properly allocated and documented.

TRAINING AND OUTREACH
The Office of Sponsored Research offers workshops and lectures on the foundations of costing on federal programs.