OSR routinely receives questions about directly charging sponsored projects for items such as administrative salaries, general purpose computers, subscriptions, dues, memberships, telephone, and other costs that may benefit more than one activity. These types of indirect costs are often difficult to exclusively identify with specific sponsored projects. Therefore, they are generally not considered reasonable or allowable direct costs on a specific project.

At the direction of OMB Circular A-21, these indirect costs are included in the administrative component of the federally negotiated Facilities & Administrative (F&A) cost rate and reimbursed to the university through F&A rate recoveries. In turn, the university returns a portion of the F&A recoveries to academic units, in part to provide funding for costs that may not be directly charged to sponsored projects.

There are two circumstances where it may be allowable and reasonable to charge these types of costs directly:

1. When a cost that is normally an indirect cost does specifically benefit a sponsored project, an unlike circumstance may exist, and it may be reasonable to charge directly to the project. Unlike circumstances exist when a project has a special need for the item or service that is beyond the level of services normally provided. When the cost can be specifically identified to the work conducted under the project, meets the criteria for unlike circumstances as described in OMB Circular A-21, and is appropriately documented, it may be approved as a direct charge to a federal project. For more information, refer to OSR Costing Guidelines.

2. Many non-federal sponsors do not reimburse the university at the full F&A rate. Therefore, direct charging of normal indirect costs to non-federal projects may be permitted so long as this is in accordance with the sponsor’s guidelines and the notice of grant/contract award.

It is critical that our Carolina research community understands and follows the guidelines surrounding the appropriate direct and indirect charge rules set forth in A-21.

To assist you in determining appropriate direct charges, please be aware that the following direct costing practices are not acceptable:

- Assigning costs that are part of normal administrative support to sponsored projects. (For example, charging salaries for normal departmental administrative support and faculty effort on proposal writing, etc.).
- Distributing costs among sponsored projects without establishing the direct benefit to each sponsored project. (For example, allocating a piece of equipment to 2 projects without providing a basis for splitting the cost.)
- Assigning charges to the sponsored project with the largest remaining balance or the best ability to pay.
- Charging a budgeted amount rather than an actual amount. (For example, documenting cost sharing at the budgeted amount when the salary has changed from the budget.)
- Describing a cost as something other than what it is. (For example, describing a general purpose laptop as a lab supply.)
Charging cost solely to sponsored projects, when the expense supports other non-sponsored activity. (For example, charging only sponsored projects for a laptop computer that will also be used to support all of a faculty member’s university activity.)

Please distribute this costing guidance to investigators and university staff with a need to know in order to promote consistency in estimating and charging costs to assure responsible stewardship of external funds and regulatory compliance. If you have questions, please don’t hesitate to contact me or Kevin Maynor, Director of Cost Analysis and Compliance, kevin_maynor@unc.edu, 962-4453.

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