

Cost Accounting Checklist: Allowable Direct Costs on Sponsored Grant Projects

Direct Costs: Costs that are charged directly to sponsored projects and are clearly identified within that project's activity and objectives.

Indirect Costs or F&A: Costs that are not directly related to a specific sponsored project and are incurred for common or joint objectives, sometimes referred to as overhead.

Costs Generally Considered Allowable as Direct Costs

- Alterations and Renovations when approved as part of the proposal
- Bonding
- Computers - Contact Research Administration Office for determination of allowability and request form
- Construction when approved as part of the proposal
- Consultant Services
- Equipment, depends on intended use
- Fringe Benefits, including leave and pension plan costs
- Publication Expenses
- Rental or Lease of Facilities and Equipment
- Salaries and Wages (see exceptions)
- Service Charges
- Supplies
- Taxes
- Telecommunications - Long distance calls
- Transportation of Property
- Travel

Costs Normally Treated as Indirect Costs (F&A)

- Administrative and Clerical Salaries
- Audit costs
- Bid and proposal costs
- Computers and electronic devices

- Depreciation or Use Allowances
- Dues and Memberships
- General Purpose Equipment: Non-research equipment, which may be used for general office purposes such as computers, printers, fax machines, copy machines, and office furniture.
- General computer services, networking costs, or other DoIT services
- Hazardous Waste Disposal
- Insurance
- Interest
- Legal Services
- Office Supplies
- Postage including U.S. Postal Service, Federal Express, UPS
- Sabbatical Leave Costs
- Staff Recruitment and Relocation
- Subscriptions, Books, Journals, and Periodicals
- Telecommunications - Local Telephone Service including phone equipment such as telephones, cell phones, pagers, fax machines, and line charges

Costs Generally Classified as Unallowable

- Alcoholic Beverages
- Bad Debts
- Termination or Suspension Costs
- Personal Computers
- Contingency Funds
- Entertainment Costs
- Fines and Penalties
- Fundraising Costs
- Honoraria
- Independent Research and Development Costs
- Lobbying
- Salaries and Wages - Time spent on grant proposal development

Additional Summary Information on Specific Costs

Note: This information is only a general guide to the listed items. Please check with your sponsoring agency terms and conditions or with your accountant if you have questions.

- **Advertising:** Allowable only for recruitment of staff or trainees, procurement of goods and services, disposal of scrap or surplus materials, and other specific purposes necessary to meet the requirements of the grant-supported project or activity.
- **Alcoholic Beverages:** Unallowable as an entertainment expense.
- **Alteration and Renovation:** Allowable with restrictions, if proposed as part of the grant activities.
- **Audiovisual Activities:** Allowable for the production of an audiovisual.
- **Audit Costs:** Allowable may be considered a direct cost when the audit's scope is limited to a single DNR grant-supported project or program; otherwise, charges for audits should be treated as F&A costs.
- **Bad Debts:** Unallowable.
- **Bid and Proposal Costs:** Allowable as an F&A cost.
- **Bonding:** Allowable.
- **Books and Journals:** Allowable. If an organization has a library, books and journals should generally be provided as part of normal library services and treated as F&A costs rather than being directly charged.
- **Communications:** Such costs include local and long-distance telephone calls, telephone surveys, telegrams, and postage, and are usually treated as F&A costs
- **Telecommunications Costs:** Long distance phone calls are normally treated as direct costs. Local phone service and phone equipment are normally treated as F&A costs by the State of Illinois .
- **Computers:** Personal use computers, including but not limited to laptops, iPads, tablets, e-readers, mp3 players, smart phones, cell phones, printers, external hard drives and other similar items are generally unallowable as direct costs. General computer services, networking costs, or other DoIT services should normally be treated as F&A costs. NOTE: Networking costs for the vast majority of Principal Investigators would NOT be allowable in that their role is NOT fully dedicated 100% to any one specific award. Exceptions: a

desktop computer might be necessary, dedicated and justifiable for a project that requires large amounts of statistical or data analysis.

- **Contracts under Grants:** Allowable to carry out a portion of the programmatic effort or for the acquisition of routine goods or services under the grant.
- **Construction:** Allowable only when program legislation specifically authorizes new construction, modernization.
- **Consulting Services:** Allowable.
- **Contingency Funds:** Unallowable.
- **Depreciation or Use Allowances:** Such costs are usually treated as F&A costs.
- **Dues or Membership Fees:** Allowable as an F&A cost for organizational membership in business, professional, or technical organizations or societies.
- **Entertainment Costs:** Unallowable. This includes the cost of amusements, social activities, and related incidental costs.
- **Equipment:** Allowable for purchase of new, used, or replacement equipment as a direct cost or as part of F&A costs, depending on the intended use of the equipment.
- **Fines and Penalties:** Unallowable.
- **Fringe Benefits:** Allowable as part of overall compensation to employees in proportion to the amount of time or effort employees devote to the grant-supported project.
- **Fundraising Costs:** Unallowable.
- **General Purpose Equipment:** General purpose equipment such as desktop computers, laptop computers, printers, office furniture and vehicles are normally treated as F&A costs.
- **Hazardous Waste Disposal:** Usually treated as an F&A cost.
- **Honoraria:** Unallowable when the primary intent is to confer distinction on, or to symbolize respect, esteem, or admiration for, the recipient of the honorarium. A payment for services rendered, such as a speaker's fee under a conference grant, is allowable.

- **Independent Research and Development Costs:** **Unallowable**, including their proportionate share of **F&A** costs.
- **Insurance:** Insurance is usually treated as an **F&A** cost.
- **Interest:** Allowable as an **F&A** cost for certain assets as specified in the applicable cost principles.
- **Leave:** **Allowable** for employees as an employee fringe benefit.
- **Legal Services:** Generally treated as an **F&A**.
- **Library Services:** General library support is now allowable as a direct cost, but may be included in the grantee's **F&A** pool.
- **Lobbying:** Generally **unallowable**.
- **Meals:** **Allowable** for staff traveling as part of the work of the grant award.
- **Pension Plan Costs:** **Allowable**.
- **Postage:** Postage costs which include U.S. Postal Service, Federal Express, and UPS should normally be treated as **F&A**. Cost of sending the proposal, revisions, periodic or annual reports, or related correspondence to the funding agency should **not** be charged as direct costs to a sponsored project.
- **Public Relations Costs:** **Allowable** Allowable only for costs specifically required by the award, or for costs of communicating with the public and the press about specific activities or accomplishments under the grant-supported project or other appropriate matters of public concern. Such costs may be treated as either direct costs or **F&A** costs, if they benefit more than one sponsored agreement or if they benefit the grant and other work of the entity.
- **Publications:** **Allowable**. Page charges for publication in professional journals may be paid from project funds if the published paper reports work supported by the grant and the charges are levied impartially on all papers published by the journal. The costs of reprints and publishing in other media such as books, monographs, and pamphlets are also allowable. The grant awarding fund must be mentioned in the article.
- **Recruitment Costs:** **Allowable** subject to the conditions and restrictions contained in the applicable cost principles.

- **Registration Fees (for Symposiums and Seminars):** Allowable if necessary to accomplish project objectives. See Memberships.
- **Rental or Lease of Facilities and Equipment:** Allowable subject to the limitations. In general, the rental costs for facilities and equipment applicable to each budget period should be charged to that period.
- **Sabbatical Leave Costs:** Sabbatical leave costs may be included in a fringe benefit rate or in the organization's F&A rate.
- **Salaries and Wages:** Allowable. Compensation for personal services covers all amounts, including fringe benefits, paid currently or accrued.
- **Service Charges:** Allowable.
- **Severance Pay:** Allowable only to the extent that such payments are required by law, employer-employee agreement, etc.
- **Subscriptions, Books, and Periodicals:** Subscription, Book, and Periodical costs should normally be treated as F&A.
- **Supplies:** Allowable.
- **Taxes:** Allowable. Such costs include taxes that an organization is required to pay as they relate to employment, services, travel, rental, or purchasing for a project.
- **Termination or Suspension Costs:** Unallowable with exceptions.
- **Trainee Costs:** Allowable only under training grants.
- **Transportation of Property:** Allowable for freight, express, cartage, postage, and other transportation services relating to goods either purchased, in process, or delivered, including instances when equipment or other property is moved from one grantee to another.
- **Travel:** Allowable as a direct cost where such travel will provide direct benefit to the project and is conducted in-state.

Costs must be permissible under state law AND costs must be permissible under terms/conditions of the award.