Direct Charge of Computers Costing Less than $5,000 on Federally Sponsored Research Projects

RCC eTutorial #101
Purpose of This eTutorial

- This tutorial provides basic information regarding the purchase of computers and related computer charges (printers, toner, etc.) on federal awards.

- Also provided:
  - Examples of federal sponsor policies
  - Process for requesting and obtaining approval for computer and computer-related purchases
Contents

- Federal regulations regarding computers and computer-related costs on federal awards
  - A-21 (Now 2 CFR Part 220)
  - Duke GAP Reference
- Fundamental criteria for evaluating allowability of computers and computer-related costs
- Process for approval
- Contacts for further Information
Federal Regulations Regarding Computers and Computer-related Costs on Federal Awards

- **A-21 (Now 2 CFR Part 220)**
  - 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 Duke’s internal approval process for **Clerical and Administrative Costs**
Federal Regulations Regarding Computers and Computer-related Costs on Federal Awards

- Specific guidance varies significantly by sponsor: Some federal agencies have provided language that may further restrict the allowability of computers.
- Examples of language from several agencies that fund research at Duke; this is not a comprehensive list and in all cases, specific agency terms and conditions apply.
  - 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.
  - 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…”
Fundamental Criteria for Evaluating Allowability of Computers and Computer Related Costs

- Computer charges must meet the same fundamental standards as all other charges to federal awards:
  - They must be reasonable
    - There must be an informed, prudent decision regarding the cost, utility, and value to the project
  - They must be allowable
    - There may not be a sponsor restriction on these purchases, either in the sponsor’s general regulations, or specifically in the award documentation
  - They must be directly allocable
    - The primary/principle use of the computer and related costs must be directly allocable to the purpose, goals, and activities of the funded projects.
  - They must be necessary for the project
    - Computers must be essential for project activities; and use should be sufficiently tracked to be adequately justified in the event of audit.
Unlike Circumstances

- Computer charges must meet the OMB A-21 (now 2 CFR Part 220) standards for unlike circumstances:
  - The use of the computer must be beyond the normal use and application of computers in the day-to-day operations of the university
  - The use must be necessary to the project, and in ways that are beyond the normal use of computers in other areas
Documentation

- Extremely important to justify the purchase of computers
- Must include supporting argument for how the computer will be used as an “unlike” use (beyond normal and customary use)
- Must include support for how the use of the computer will be assigned and tracked within a high degree of accuracy to the specific needs of the project
Allowability

- Computers may be an allowable charge to a federal grant under two general scenarios:
  - a) The computers/laptops are functioning as or in direct support of specialized scientific equipment
    - Requires that the following criteria be used as a guide to allowability (not all required):
      - Computer is actually connected to scientific equipment or used in lab/field research
      - Computer is not used, or rarely used, for any non-project purpose
  - b) The computer is specifically identifiable to a grant as an “unlike circumstance”; this requires similar documentation to other administrative costs such as office supplies and local telephone service. *(see Direct Costing GAP 200.320)*
    - An unlike circumstance occurs when the item being charged is used in a way that is *directly related and specifically identifiable* to the project, but its use is unlike the common use of the item in conducting normal university business.
Allocability

- If a computer is direct charged to a project and is also used other than incidentally for general administrative purposes, some sharing of the cost is required. *{Note: This is done to the advantage of the federal government as it has the effect of reducing both the direct and indirect cost to the grant}.*
  - Caution is required and documentation is extremely important.
  - An allocation methodology should be developed at time of proposal, disclosed in the submission, and adjusted during the life of the award if it differs significantly from the initial allocation; particularly if it could be construed that the project is being harmed. Disclosure should include justification for unlike circumstance and allocation methodology. If the need for this item is not known at time of proposal, appropriate documentation requirements, as identified in University procedures, must be met to ensure allowability.

- Shared scientific use: A computer can be allocated between 2 or more research grants. Adequate documentation should exist that supports the allocation methodology.
Incidental Use

- Duke’s policy on purchase of computers relies on the best judgment of the PI in evaluating the above criteria, particularly in regards to incidental, non-project use of computing equipment.

- If a computer is 100% funded from a federal sponsor, the computer should not be used for non-project purposes on more than an incidental basis. Criteria for consideration include: (not all encompassing, nor are all required):
  - Incidental use never interferes with project use
  - Incidental use is solely for convenience (e.g., doing a quick e-mail check, to save a trip back to the office; preparing a short occasional Microsoft Word document)
  - Incidental use itself would not have justified purchase of the laptop
  - Incidental use never requires removing the laptop from the project location
  - Incidental use does not exceed a de minimis amount
Duke University Process for Approval of Direct Charge for Computers

- Anticipate computer costs and ensure they are included in the original budget and proposal sent to the sponsor
  - The budget narrative should fully justify the cost(s) in terms of how it/they will be used specifically for the project
  - Modular budgets: an internal budget and budget narrative that explains these costs should be developed and processed through ORA/ORS
Approval Process

- At time of award, prepare a Non-Labor Direct Costs Exception Form.
- Be sure to justify the cost in terms of the overall purpose of the project and how the cost will advance project activities.
- Remember: An administrative cost is not allowable simply because the federal sponsor has approved the budget.
Rebudgeting

Costs not included in the original budget

- Unanticipated need for administrative costs may sometimes occur. We encourage you to anticipate costs, instead of having to request approval after the award has been made.

- In the event rebudgeting is necessary, the Rebudgeting Form now includes an area for justification of computer charges.
Key Concepts for Completing the Exception Form

- A brief overview of the project scope and purpose:
  - Provide descriptions in lay terms; provide as much quantifiable information as possible – how many sites, how many subjects, how many co-investigators, etc. This will help ORA/ORS in determining if the project meets federal criteria for “major project” and “unlike circumstances”
Key Concepts for Completing the Exception Form

For all other exceptions:

- Provide a complete description of the items you wish to directly charge, providing quantity and price.
- Explain why each item is necessary for the completion of the project and how each item is related to specific aims or objectives of the project, as well as how each item meets a special project need and is different from similar items provided by the department that are treated as F&A costs.
At the Time of Expenditure, Ask Yourself

- Was the expense included in proposal narrative and budget?
- Did I submit an Exception Form for approval by ORA/S?
- Did the sponsor approve the budget?
- Does the expense meet A-21 requirements for reasonableness, allocability, allowability?
- Is the expense explicitly related to size and complexity of the budget?
- Is the requirement above the typical items that the department normally provides?
For Further Information

- Refer questions to the appropriate Pre-award Office or the Office of Sponsored Programs.
- RCC provides training for grant managers in the justification and management of clerical and administrative costs (including computers valued at less than $5,000) in these classes: Management of Selected Topics and Basic Compliance
- Additional Resources
  - GAPs
  - Direct Cost Exception Form I Administrative and Clerical Costs
    - [http://www.finsvc.duke.edu/gap/forms.php#casi](http://www.finsvc.duke.edu/gap/forms.php#casi)
  - Guidance and Clarification Document
    - Issued January 26, 2009: Direct Charge of Computers Costing Less than $5,000 on Federally Sponsored Research Projects