

New York University

UNIVERSITY POLICIES

Title:	Costing Policy
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Supersedes:	September 1, 2013
Issuing Authority:	Sponsored Programs Administration
Responsible Officer:	Assistant Vice President for Post-Award Administration

Policy

It is the policy of New York University (NYU, “the University”) that all costs proposed or incurred on a sponsored project comply with sponsor terms and conditions, NYU policies and procedures and applicable Federal, state and local regulations. NYU administers direct and indirect costs, on sponsored projects, in accordance with Federal and other sponsor requirements. The Principal Investigator (PI) is ultimately responsible for ensuring appropriate financial management, compliance with sponsor terms and conditions, as well as determining actual effort expended on a sponsored project.

Purpose of this Policy

The purpose of this policy is to provide guidance to PIs, schools, departments, units and personnel of the University for proposing and administering direct and indirect costs on sponsored projects, in accordance with Federal or other sponsor requirements.

Scope of this Policy

This policy is applicable to all schools, departments, units and personnel of the University involved in administering sponsored awards.

Procedures for Implementation

For managing expenditures on Federal grants and contracts, NYU follows the *Federal Office of Management and Budget Uniform Guidance (OMB Uniform Guidance)*, Cost Accounting Standards (CAS) and NYU’s Disclosure Statement approved by the Division of Cost Allocation of the Department of Health and Human Services. The OMB Uniform Guidance establishes principles for determining costs applicable to federally sponsored agreements, contracts and other agreements with educational institutions. Because NYU receives Federal funding exceeding \$25 million, NYU's costing practices for sponsored awards must also comply with Cost Accounting Standards (CAS).

For awards funded by a non-Federal sponsor, the award terms and conditions generally dictate whether an expense – direct or indirect – can be charged to a project. However, when a sponsor’s terms and conditions allow an expense, but NYU policies and procedures or applicable Federal, state and city laws and regulations do not, the expense cannot be incurred. The more restrictive requirements apply.

Indirect costs are outlined in Section c of this policy. These costs cannot be charged as direct costs to federally funded projects.

a. General Guidelines and Definitions

i. Factors Affecting Allowability of Costs

A. Reasonable

A cost is considered *reasonable* if the nature of the goods or services acquired or applied and the amount reflects the action that a prudent person would have taken under the circumstances prevailing at the time the decision was made to incur the cost.

B. Allocable

Costs should be allocable to sponsored agreements under the principles and methods of the OMB Uniform Guidance. A cost is allocable to a particular sponsored project if the goods or services involved are chargeable or assignable to the project in accordance with the relative benefits received in proportion to use on an award.

C. Consistency

CAS and the OMB Uniform Guidance require the consistent application of cost accounting principles. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where the University treats a particular type of cost as a direct cost on sponsored agreements, all costs incurred for the same purpose in like circumstances must be treated as direct costs for all activities of the institution. Consistent treatment of costs is necessary to avoid inappropriate charges to the Federal government.

D. Allowable

A cost is allowable when it is permitted under Federal Regulations (on Federal awards) or the terms of the sponsored agreement. Charging a cost because it was included in the budget approved by the sponsor does not necessarily make it allowable.

b. Direct Costs

i. Primary Direct Cost Functions of NYU

As defined in Federal cost principles, the primary activities of NYU are Instruction, Research, Other Sponsored Activities, Patient Care and Other Institutional Activities. Costs incurred to

support these activities – such as salaries and wages, fringe benefits, materials and supplies, travel, subcontracts, equipment, specialized service center charges and other operating expenses – are treated as direct costs and should be identified specifically with the benefiting projects and activities. If a direct cost benefits two or more sponsored agreements/projects, the OMB Uniform Guidance provides standards for allocation across these sponsored projects. Refer to [Section 200.405](#) in this policy for more detail on allocation across sponsored agreements.

Direct charges to a sponsored agreement should support the sponsored agreement's purpose and activity and be necessary to meet the project's scientific and technical requirements. Charges cannot be assigned arbitrarily or for the purpose of simplifying budget management that is unrelated to the sponsored agreement's purpose. Direct charges to sponsored agreements are expected to adhere to the sponsor's restrictions in the Notice of Award and budget and to support the sponsor's programmatic intent.

ii. Acceptable Direct Costs

Examples of acceptable direct costs that meet the OMB Uniform Guidance requirements cited above and "identifiable to a particular cost objective" are listed in [Appendix 2](#).

For Federal awards, items such as salaries of administrative and clerical staff, office supplies, postage, local telephone costs (including monthly service charges) and membership dues are normally treated as indirect costs. However, for special purposes and circumstances, costs that are normally indirect may be directly charged if certain conditions are met. Refer to the [Charging Administrative Expenses to Federal Awards Policy](#) for further information.

iii. Documentation of Direct Costs

1. The cost must be identified with the activity in the sponsored award to which the cost is charged.
2. Documentation that links the cost incurred to the sponsored agreement activity should be maintained by someone in a position to know the sponsored award activity or designee; e.g., the person taking supplies from a common storeroom. Departments should include a detailed explanation as to how the item benefits the project when submitting the purchase requisition or request to pay an invoice.
3. For Federal awards, in accordance with the [OMB Uniform Guidance, section 200.333](#) and the [Financial Records Retention Policy for Sponsored Programs](#), documentation must be maintained for a period of three years after the date the final expenditures report is submitted. State awards generally have a 6-year retention period. Verify the specific award terms for retention requirements of other sponsors.
4. Only actual costs may be charged to the sponsored award, not estimated costs.

iv. Unacceptable Direct Costing Practices

The following direct costing practices are unacceptable because they do not meet the OMB's Uniform Guidance's standard for a "high degree of accuracy" in the assignment of costs to sponsored projects:

1. Rotation of charges among sponsored projects without establishing the relative benefit to each sponsored project;
2. Assigning charges to sponsored projects simply to spend the remaining balance with no benefit to the project;
3. Charging the budgeted amount (in contrast to charging an amount based on actual usage);
4. Assigning charges to a sponsored agreement in advance of the time the actual cost is incurred;
5. Identifying a cost as something other than what it actually is, e.g., office supplies being recorded in the general ledger using another account such as lab supplies;
6. Charging expenses exclusively to a particular sponsored project when the expense supports more than one sponsored award or institutional activity;
7. For Federal awards, assigning charges that are generally part of normal administrative support (indirect costs) for sponsored projects (e.g., administrative and clerical salaries, office supplies, local phone charges). Refer to the [*Charging Administrative Expenses to Federal Awards Policy*](#). If the award is from a non-Federal sponsor, direct charging of administrative support costs may be allowable.

c. Indirect Costs [Facilities and Administrative (F&A) Costs]

i. Nature of Indirect Costs

Indirect costs are those that are incurred for common or joint activities of the University and therefore cannot be identified readily and specifically with a particular sponsored project, instructional activity or any other University activity.

Expenses incurred for general departmental and institutional business are recognized as indirect costs. On Federal awards such costs include, but are not limited to: charges for administrative and clerical salaries, related fringe benefits, office supplies, postage, local telephone charges, cell phones (except when needed to meet programmatic objectives), office equipment, internet and other general costs.

Costs incurred for administrative and support services that benefit departmental activities and costs incurred by separate departments and organizations established

primarily to administer sponsored projects are identified separately by account code in the financial records and recognized as indirect expenses.

- ii. Special Purposes or Circumstances Where Direct Charging of Costs *Normally* Treated as Indirect Costs May be Appropriate.

In instances where Federally-sponsored projects require administrative and clerical supplies, postage and telecommunications (expenses similar to the charges identified normally as administrative costs), such costs may be charged to sponsored projects as direct costs if they meet the criteria explained in the [*Charging Administrative Expenses to Federal Awards Policy*](#).

d. Allocation of a Direct Cost Across Two or More Sponsored Projects

- i. “If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.” [*OMB Uniform Guidance, Section 200.405*](#).
- ii. Proportional Benefit Rule
 1. The criteria for allocation of costs to two or more sponsored projects are as follows:
 - The cost in question should be identified specifically with the group of sponsored projects relatively easily and with a high degree of accuracy; and;
 - The department must maintain written documentation generated or approved by the PI or Co-PI demonstrating specific identification.
 2. Proportional Benefit for Compensation Costs (Salaries, Wages and Benefits that Directly Benefit Two or More Sponsored Projects).

The proportional benefit rule is applied when the Principal Investigator (PI) authorizes the distribution of salary and fringe benefits across two or more funding sources, sponsored projects or institutional activities. This authorization should reflect the PIs best judgment of the proportional benefit of the salary and fringe benefit costs to each of the affected sponsored projects.

The Time & Effort Reporting verifies that the distribution of actual salaries and wages reflects the proportional distribution of compensation. The Uniform Guidance requires that “charges to Federal Awards for salaries and wages must be based on records that accurately reflect the work performed. These records must

be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated” [\[Section 200.430.i\]](#). The method of payroll confirmation reflects an “after-the-fact” reporting of the percentage distribution of activity of employees. Reports should reasonably reflect the activities for which employees are compensated by the institution. The system should reflect activity applicable to each sponsored project. The Time & Effort Certification reports should be reviewed and approved as outlined in the [Effort Reporting Policy for Sponsored Programs](#).

Policy Definitions

Departmental Research	The amounts expended for start-up, seed money, bid, and proposal are classified as "departmental research." An account which is set up to provide faculty with funds for release time to further academic knowledge may be included in the category of "departmental research."
OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)	The set of Federal regulations which establishes the principles for determining costs applicable to Federal grants, contracts and other agreements with educational institutions.
University Research	Research and development activities that are both separately budgeted and accounted for by the University and funded by the University rather than an external sponsor..

Related Policies

- Business Expenses
<http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/business-expenses.html>
- Charging Administrative Expenses to Federal Awards Policy
<http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/charging-administrative-expenses-to-federal-awards-policy.html>
- Effort Reporting Policy for Sponsored Programs
<http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/effort-reporting-policy-for-sponsored-programs.html>

- Financial Record Retention Policy for Sponsored Programs
<http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/financial-records-retention-policy-for-sponsored-programs.html>

Federal Regulations

- Federal Acquisition Regulation
<http://www.acquisition.gov/far/>
- OMB Uniform Guidance
http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

Appendices

Appendix 1: *Direct and Indirect Cost Matrix*

For administrative and accounting purposes, these costs are grouped into two categories: direct and indirect. Some costs, however, are not discretely direct or indirect and may appear in either category depending on the circumstances. This matrix indicates when a particular cost is normally charged directly or indirectly to sponsored projects. This listing provides examples and is not intended to be all-inclusive.

	DIRECT COSTS	INDIRECT COSTS
1.	<p>Personnel Costs (salaries, wages, fringe benefits, tuition remission) for positions such as:</p> <ul style="list-style-type: none"> • Principal investigator • Research associate • Postdoctoral associate • Laboratory technician • Graduate research assistant • Student employee • Other technical and programmatic personnel <p>Recruitment Costs: Limited to lodging, airfare, advertising costs (black and white only) for potential recruit. Does not include meals.</p>	<p>For Federally sponsored projects, administrative and clerical salaries, wages and fringe benefits, except where special purpose or circumstances apply (See <i>Charging Administrative Expenses to Federal Awards Policy</i>). Administrative positions include: departmental administrators, administrative assistants, accountants/financial analysts; and office personnel including student workers.</p> <p>Administrative activities of directors and assistant and associate directors, fiscal officers, vice president and president, executive assistants and other administrators.</p>
2.	Animals and animal care	

	DIRECT COSTS	INDIRECT COSTS
3.	<p>Scientific/Technical Information Technology Costs (Project specific)</p> <ul style="list-style-type: none"> External Information Technology Services (e.g., programmer, developer, web designer) 	<p>General Purpose Hardware, Personal Electronics and Services</p> <ul style="list-style-type: none"> iPads, iPhones/other cell phones, iPods, PDA devices, pagers, reading devices (e.g., Kindle), desktops, laptops, copiers, printers, fax, scanners, cameras, projectors, external drives, DVD recorders, TVs and display monitors Internet Services Computer networking costs (network cables) Local area networks (LAN) Service/Maintenance Agreements
4.	<p>Scientific Computer Software (project specific e.g., statistical)</p>	<p>General Purpose Software and Computer Supplies:</p> <ul style="list-style-type: none"> Software packages, such as Word, Excel, Access Paper Toners and ink DVDs, CDs, flash drives
5.	<p>Consultants (external & internal)</p>	
6.	<p>Technical/ Scientific Equipment (e.g., microscope)</p>	<p>General Purpose Equipment (e.g., Office Furniture)</p>
7.	<p>Equipment maintenance contracts (for project dedicated equipment)</p>	
8.	<p>Motor vehicle expense (project-dedicated vehicles; travel)</p>	
9.	<p>Participant costs (These are not human subject incentive payments.)</p> <ul style="list-style-type: none"> Stipends Tuition & fees Travel 	

	DIRECT COSTS	INDIRECT COSTS
	<ul style="list-style-type: none"> Other miscellaneous 	
10.	<p>Printing, binding, copying and postage costs (including UPS) when project scope clearly indicates a need for a volume of activity beyond routine. (e.g., publication costs, surveys, conference presentations, mass mailing)</p>	<p>Printing, binding and copying for General Purpose Activities</p>
11.	<p>Rental of space (away from University)</p>	<p>Rental of NYU Facility (On-Campus) except for auxiliary units that charge standard fees (e.g., Kimmel)</p>
12.	<p>Shipping/overnight delivery services, such as UPS, Federal Express, Priority Mail</p>	<p>Postage</p>
13.	<p>Specialized facilities</p>	
14.	<p>Subcontracts</p>	
15.	<p>Supplies</p> <ul style="list-style-type: none"> Lab and scientific supplies Chemicals/ Radioactive material Glassware Field supplies Gases and liquids Rare and precious metals and nonprecious metals 	<p>Office/ general purpose supplies</p> <ul style="list-style-type: none"> Books and reference materials Custodial supplies Water coolers Pens, pencils Paper Forms Files, folders, binders Transparencies Staplers, staples Tape dispensers Calculators Tissues, cleaning supplies Coffee/tea makers and related supplies

	DIRECT COSTS	INDIRECT COSTS
16.	<p>Telephone charges (long distance- only when necessary to carry out the objectives of the project.)</p>	<p>Local telephone charges</p> <ul style="list-style-type: none"> • Basic line charge • Local calls
17.	<p>Business meals Meals in connection with the meetings and conferences for the dissemination of technical information.</p>	<p>Business meals Meals for routine office or lab meetings to discuss research project status. Meals with collaborators. Meals as a part of recruiting project employees. Any meal not part of the travel.</p>
18.	<p>Travel. The most economical costs which are required to carry out the objectives of sponsored project requirements.</p> <ul style="list-style-type: none"> • Change/ cancellation fees that are beyond control of the PI or other research personnel that do not include personal reasons. • Baggage fees • Meals for traveler only, while traveling for the project 	
19.	<p>Other</p> <ul style="list-style-type: none"> • Temporary lease/rental of equipment • Temporary lease/rental of off-campus facilities • Repairs and maintenance (related to scientific and technical equipment) • Insurance expense for project-dedicated equipment • Advertisement: recruitment of personnel approved for a specific project, recruitment of research subjects 	<ul style="list-style-type: none"> • Repairs and maintenance (facilities and general purpose equipment) • Space rental (non-temporary) • Dues, memberships & subscriptions (See <i>Memberships & Subscriptions Policy</i> for exceptions) • Laundry and dry cleaning • General advertising • Utilities

Appendix 2: *Listing of Acceptable Direct Costs*

Examples of acceptable direct costs that meet the OMB Uniform Guidance requirements and “that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy” [[OMB Uniform Guidance, section 00.413](#)] are listed and explained below:

1. ***Salaries, Wages and Fringe Benefits*** – (includes researcher or technician salary and fringe benefits). See item 5 below for discussion of in-house consulting by faculty members (overload pay). According to the Uniform Guidance, clerical salaries and wages shall *normally* be treated as indirect costs. There are situations where direct charging of administrative and clerical salaries is appropriate. These situations are discussed in the [Charging Administrative Expenses to Federal Awards Policy](#).
2. ***Animals and Animal Care*** costs.
3. ***Computing*** – Project specific costs for scientific computing and programming costs.
4. ***Scientific Computer Software*** – Project-dedicated software that is necessary to carry out the scope of the project.
5. ***Consultants*** – (expertise of a well-defined nature for a fixed period of time) both external and internal consultants. At NYU, consultant agreements issued for sponsored projects are executed by the Contract Office.
 - External Consultants – A consultant generally provides needed expertise to a project for a limited period of time. They function as independent contractors (with little or no day-to-day supervision by NYU staff) and they are not employees of the University. Consultants are typically paid on an hourly or daily fee plus reimbursement for travel and other incidental expenses. External consultant fees are normally treated as Other Than Personnel Services (OTPS).
 - Internal Consultants – Intra-university consulting is generally a university obligation requiring no additional compensation in addition to the institutional base salary of faculty/staff members. This principle applies to faculty members who function as consultants or otherwise contribute to a sponsored project conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation and/or the work performed by the consultant is incidental and in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically defined or stated in the agreement and/or approved in writing by the sponsoring agency and the authorized University official.

6. **Equipment** – An article of nonexpendable, tangible property having a useful life of more than one year and (permanent equipment, greater than NYU capitalization threshold, currently, \$3,000).
7. **Equipment Maintenance Contracts** – Equipment maintenance contract expenses of project-dedicated equipment or shared equipment with monitored usage and an appropriate cost is charged directly to the grant account.
8. **Motor Vehicle Expense** – Maintenance expenses of project-dedicated vehicles and vehicles used in the field may be directly charged to projects as well as motor vehicle expenses incurred with travel. Current mileage rates are available at:
<http://www.nyu.edu/employees/resources-and-services/financelink/buying-paying/employee-reimbursement-and-advances.html>.
9. **Participant Costs** – Payments made directly to or on behalf of participants, including stipends, tuition and fees, dependency allowance, participant travel and other miscellaneous participant costs.
10. **Publications, Printing, Binding and Copying Services** – Indicate and itemize costs and include any publication costs connected with dissemination and evaluation, and check journal page rate costs for a correct and current estimate.
11. **Rental of Off-Campus Space** – Some projects require special space needs or staff stationed for long-term field site work. Lease agreements can be negotiated to lower space and housing costs with the rental costs charged directly to the project.
12. **Shipping/Overnight Delivery Services** – Federal Express, U.S. Postal Priority Mail, DHL and UPS overnight delivery services specifically define costs at the individual or account level and can be directly charged to the grant/contract account. Routine postage charges are normally treated as an indirect cost unless special purposes and circumstances exist for the project. If the project requires substantial mailing expenses in the performance of the project activities or technical work, postage should be directly charged to the project. Refer to the [Charging Administrative Expenses to Federal Awards Policy](#).
13. **Specialized Facilities Required by a Specific Program** – If a project requires the creation of new, more secure facilities – including the acquisition of alarm equipment, special construction, or other project-specific facility costs – these costs may be directly charged to the project. These special-purpose facilities may or may not be usable by future programs. This cost category would also include increased security services required due to the level of classification/special access for the project.
14. **Subcontract costs:** <http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/managing-sponsor-payments-policy.html>.

15. **Supplies** – Office supplies (laboratory, educational/instructional) are normally treated as indirect costs unless a special purpose or circumstance exists for the project. For allowability of computer supplies as a direct cost, refer to the [Charging Administrative Expenses to Federal Awards Policy](#).
16. **Telephone Toll Charges** – In addition to long distance charges, this category includes the toll charges and equipment for phones needed during fieldwork, cellular phones needed for field site coordination and phone call charges while in travel status. If the sponsored project does not have a dedicated line, then an access code should be obtained from Telecommunications Services so that any long distance calls for the project may be identified with a specific access code on the monthly telephone bill. See the [Charging Administrative Expenses to Federal Awards Policy](#).
17. **Travel Costs** –Travel required to fulfill the sponsored project requirements.
18. **Other direct costs may include:**
 - (a) Equipment rentals;
 - (b) Reference books and materials directly related to project scope;
 - (c) Search service charges associated with research; or
 - (d) Insurance expense for project-dedicated equipment.