

**Direct and Indirect (F&A) Charges to Sponsored Projects  
Document Prepared for General Guidance**

The following statements have been prepared from the Georgia Institute of Technology Cost Accounting Standards Disclosure Statement (DS-2). The DS-2 statement is used to describe the standard and consistent cost accounting procedures used to determine the types of charges that will be made directly to sponsored projects and those that will be charged to administrative support projects.

**Criteria for Determining Direct Costs to Sponsored Agreements or Similar Cost Objectives.**

The primary direct cost functions of Georgia Institute of Technology are Instruction, Research, Public Service, Service/Recharge Centers, and Other Institutional Activities. Costs incurred to support these activities, such as salaries and wages, fringe benefits, materials and supplies, travel, subcontracts, specialized services center charges, equipment, and other operating expenses are treated as direct costs when identified through specific identification of the individual costs to the benefiting projects and/or other appropriate procedures as required under the circumstances.

The procedures used for identification of direct costs by function to benefiting projects and activities apply to sponsored, cost sharing, and institutionally supported projects and activities. Committed cost sharing expenses are separately budgeted and accounted for in the accounting records and included in the appropriate direct cost bases by function.

Institute accounting procedures are designed to assure that all costs incurred would be considered reasonable, necessary, allowable, and in accordance with the terms and conditions of the sponsored agreements. Costs are recognized as direct charges to a sponsored project using one or more of the following procedures:

1. Specific identification: Costs incurred solely to advance the work under the sponsored agreement.
2. Service/Recharge Center: Costs identified to a particular sponsored project based on actual utilization of services and cost based-charge rates.
3. Proportional Allocation: Costs that benefit two or more projects or activities in proportions that can be determined without undue effort or cost.
4. Mechanical/Accounting System Charges: Costs of minor supplies and services that are identified to the cost objectives by billing systems that are supported by approved requisitions or orders that identify the benefiting sponsored projects or other activities.

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Costs incurred for administrative and support services that benefit departmental instructional and general activities and costs incurred by separate departments and organizations established primarily to administer sponsored projects are identified separately in the accounting records and recognized as indirect (now F&A) expenses. These projects, required to recognize the expenses incurred for general departmental and institutional business, include charges for administrative and clerical salaries, related fringe benefits, supplies, postage, telecommunications, copy machines, equipment, and general costs. Specific project numbers are used to identify these activities within each department and organization (such as 290 for instructional administration and 400 for research administration in Resident Instruction units).

In instances where sponsored projects require the services of administrative and clerical staff, supplies, postage, special space renovations, and telecommunications costs (expenses similar to, but not the same as, the charges identified in the indirect administrative accounts), such costs will only be charged to sponsored agreements as direct costs when:

1. The specific type and nature of the services are not provided by the indirect expense accounts.
2. The services are required by the project scope,
3. The cost can be accurately identified to the project, and
4. The approved project budget clearly describes the need for the services.

Administrative and clerical support costs will be charged as direct costs for a sponsored project that involves:

1. Extensive data accumulation, analysis and tabulation,
2. The preparation and production of manuals, large reports or books,
3. Extensive travel and meeting arrangements for conferences and seminars,
4. Management of a project in locations that are remote from campus and similar situations.

Other special circumstances for direct charging of costs occur when sponsored projects require specific support services that are not provided by the indirect administrative projects. Examples of instances where sponsored projects will be charged directly for support services are described below:

-Secure facilities required by a specific program- If a program requires the creation of new secure facilities, including the acquisition of alarm equipment, special construction, or other project-specific facilities costs, these are charged to the program. (These special-purpose facilities may or may not be usable by future programs.)

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-Special Research Security services - Campus Safety expenses (general campus and perimeter security that benefits all activities) and building or site specific security that benefits multiple projects are provided by the Institute as indirect expenses. Some programs, however, due to the level of classification/special access, require project specific additional security services. These services, where managed and/or contracted for separately from the existing security services, are charged directly to sponsored projects.

-Telecom charges - Telecommunications required for general and institutional business are indirect costs. Exceptions are made for equipment and toll charges for phones needed in fieldwork, cellular phones needed for field site coordination, and phone call charges while on travel.

-Motor vehicle expenses - Maintenance expenses of project-dedicated vehicles and vehicles used in the field will be directly charged to projects, as well as motor vehicle expenses incurred on travel.

-Real estate rent - Occasionally, in lieu of hotel (travel) costs for long term field-site work, apartments are leased to provide lower-cost housing, and charged directly to the project.

-Postage and Copy charges -If the scope of a project requires the collection of, and/or dissemination of data to individuals, agencies, or organizations other than the sponsor, and the cost of this activity is recognized in the project budget, postage and /or copy will be charged as a direct cost.

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