



Harvard University
Guidelines for Federal Sponsored Expenditures

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I. Introduction

Like all educational institutions that are recipients of federal sponsored awards, Harvard must comply with a number of regulations and guidelines that restrict the ways in which that money can be spent. This document is intended to clarify the federal constraints and Harvard's policies, for costs that are sometimes confusing and/or controversial.

These guidelines are for the use of Harvard researchers and administrators who charge items directly to federal sponsored projects. Unfortunately, there is no single document that summarizes all the rules, regulations, policies, and guidelines that must be followed when charging items to federal awards. In addition to the guidance offered here, the appendices to this document contain links to a number of resources that will help clarify the government's and Harvard's expenditure policies, and also to a range of educational opportunities, both in-person and online.

Note on non-federal sponsored awards: Costing guidance in the OMB circulars, including the federal Cost Principles, OMB Circular A-21, does not generally apply to non-federal sponsored awards. Non-federal sponsors occasionally have expenditure policies of their own (or they ask award recipients to adhere to federal regulations and guidelines), but in general, non-federal awards may be considered "unlike purpose and circumstance" in the language of Circular A-21. It is important to review the terms and conditions of any award, however, to see whether there are specific guidelines on expenditures.

II. Federal Cost Principles

As governed by OMB Circular A-21, federal sponsored funds may be used to pay, as either "direct costs" or "indirect (Facilities and Administrative, or F&A) costs," for certain items associated with sponsored projects. Considerable space is devoted to "selected items of cost" in Section J of A-21, where various types of expenses are categorized as "allowable" or "unallowable" for federal reimbursement. "Allowable" in this context can signify that the government is willing to pay for an item. Keep in mind, though, that Section J does not always specify clearly whether an item is allowable as a direct cost or an indirect cost. **Indirect costs** are those costs that are "incurred for a common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project. **Direct costs**, on the other hand, are those that can be associated unambiguously with one or more projects. To qualify as a direct charge, one that can be posted directly to a sponsored account or accounts, a cost must pass the following tests:

- a. The cost must be **allowable** under both the provisions of OMB Circular A-21 and the terms of the specific award being charged.
- b. The cost must be **allocable**: The expense must be assignable to the project with a high degree of accuracy, or charged in proportion to the benefit received by the award.
- c. The cost must be **reasonable**: The cost must reflect what a prudent person would pay under the circumstances.
- d. The cost must be charged **consistently** as a direct cost and not charged sometimes as direct and sometimes as indirect. Note that certain types of projects can constitute exceptions to the consistency requirement (see Exhibit C of Circular A-21 for some

examples), allowing certain items normally considered indirect (e.g. administrative and clerical salaries, office supplies, postage, local telephone charges, and dues to societies) to be charged as direct costs, but only if the project can be labeled as an “unlike circumstance.” Determination that a project constitutes an “unlike circumstance” is typically made by the Harvard school and its signatory sponsored research office, subject to approval by the sponsoring agency.

III. Treatment of Specific Types of Costs

Many types of costs can be assigned as direct or indirect without discussion, as shown in the following table:

Direct Costs: can be specifically identified with a sponsored research project with a high degree of accuracy.

Direct costs may include:

- Compensation of employees for their work on the sponsored project
- Materials consumed or expended in the performance of the work, such as lab supplies
- Equipment for the project
- Consulting costs for the project

Indirect Costs: are incurred for a common or joint purpose that cannot be identified readily and specifically with a particular sponsored project or activity.

- Custodial costs for building maintenance
- Utilities
- Department administration
- Sponsored projects administration

On the other hand, certain categories of cost have raised questions about allowability as direct or indirect, and several of those are treated in the following sections. For the cases in which costs are normally considered indirect, a brief explanation is included, followed by examples of exceptional circumstances that might allow the item to be charged directly to a project or projects.

Administrative and Clerical Salaries:

Ordinarily, to comply with OMB Circular A-21, administrative and clerical salaries must be treated as indirect costs. Accordingly, Harvard University requires that faculty and staff authorizing expenditures on federal grants, contracts, and cooperative agreements allow the direct charging of administrative and clerical salaries only when the nature of the work performed requires an extensive amount of administrative or clerical support not normally provided by academic departments. These special circumstances and the procedures surrounding them are documented in the Harvard policy on [Direct Charging of Administrative and Clerical Salaries to Federal Awards](#).

A. Books, Journals, and Subscriptions

Why are books, journals, and subscriptions normally treated as *indirect costs*?

There are over 15 million books, journals, manuscripts, government documents, maps, microforms, music scores, sound recordings, visual materials, and dissertations in the 70+ Harvard libraries. The library system serves as an invaluable resource for Harvard's research enterprise. A portion of the cost incurred for the operation of the library (including the cost of library materials and staff) is included in the F&A rate that is charged to sponsored awards. Because library costs are included in the F&A rate, they cannot normally be charged as direct costs.

Examples of books, journals, or subscriptions that are considered indirect costs:

- General or reference texts
- Books, manuals, or reprints that assist the PI in keeping current with his or her field of research

When may books, journals, and subscriptions be charged as a *direct expense*?

If the book, journal, or subscription is not available in the library and can be associated with the sponsored project with a high degree of accuracy, it may be charged as a direct cost.

If the book, journal, or subscription is available in the library but it is needed so often that a library copy is not sufficient, it may be direct charged to the project if it can be associated with the sponsored project with a high degree of accuracy.

In both of these instances you should document and explain why the book, journal, or subscription is required for the project. Your documentation should address the following questions:

- Is the subject matter of the book, journal, or subscription related directly to the project?
- Is the book, journal, or subscription associated with a specific research technique that will introduce efficiencies to the research and/or improve the quality of the results?
- Can the book be associated with the sponsored project with a high degree of accuracy?

B. Communications Costs

Why are communications costs normally treated as *indirect costs*?

As communications across the University are enhanced, new methods of accounting for those costs are emerging. It may be difficult to isolate the particular portion of a communications vehicle to a specific cost objective with a high degree of accuracy and certainty. As a result, most communication costs are included in the indirect cost calculation and are treated as indirect costs.

Examples of communication expenses that are considered indirect costs:

- Local telephone service
- Base fees for cell phones, smart phones, or other personal digital assistant devices
- On-campus or home Internet access or network connectivity fees

What communication costs can be charged as a *direct expense*?

Communication expenses that can be linked to the sponsored project with a high degree of accuracy and are used solely for the sponsored project may be charged as a direct expense.

Examples of communication costs that can be charged as a direct expense:

- Itemized long distance telephone charges for communication related specifically to the project
- Communication devices used exclusively for conducting surveys
- Telephones and PDAs used exclusively to manage a multi-site research project
- Dedicated telephone lines set up to receive data feeds from the field
- Hotel Internet fees during travel related to the project

If you plan to charge a communication cost to a sponsored project:

- Explain why the specialized communication cost is necessary for the performance of the project
- Conform to restrictions and approval requirements outlined in the terms and conditions of the award.
- If the expense is anticipated, include it in your budget at the proposal stage.

C. Computers and Data Storage Devices

Why are computers or data storage devices normally treated as *indirect costs*?

Technology has changed rapidly over the past few decades. Desktops, laptops, and data-storage devices include a wide range of functions: computation, data storage, correspondence, communication, entertainment, etc. The regular use of computers and data-storage devices in daily business operations makes it difficult and impractical to isolate specific scientific functions and their related costs with a high degree of accuracy.

Desktops, laptops, and data-storage devices below the capitalization threshold are generally considered to support a variety of activities and cannot be linked to one specific project. Therefore, computers are typically treated as indirect costs.

Examples of computers that should be considered an indirect cost:

- Computers that are assigned routinely to students, staff, or faculty members
- Computers located in any generally accessible area in a lab or office space

When may computers or data-storage devices be charged as a *direct cost*?

A computer or data-storage device may be charged as a direct cost if the purchase will be necessary for a specific sponsored research project and will not be used as general-purpose equipment.

Examples of computers that can be charged as direct costs:

- A computer is physically attached to another piece of scientific equipment and/or is required for collection and analysis of information/data
- A laptop is specifically needed to record data in field research
- A computer is used primarily on the designated sponsored award. The Principal Investigator must attest that the computer would not be purchased if not for the sponsored project.

If you plan to charge computers or software to a sponsored project as a direct cost:

- Conform to restrictions and approval requirements outlined in the terms and conditions of the award.
- Provide a written justification to explain the way that the computer is being used and to outline its specific purpose related to the scientific scope of work.

D. Conference Fees

Why are conference fees normally treated as *indirect costs*?

Conference fees are treated as indirect expenses when the employee attends the conference to gain a general understanding of the topics presented, rather than to receive or present specific information related to an award. Conference fees that are not specifically related to an award should be charged to a faculty discretionary or departmental account.

When may conference fees be charged as a *direct cost*?

A conference fee may be charged as a direct expense if:

- The scientist is presenting results of the research obtained during the course of his or her work on the project
- The scientist can confirm that the purpose of the conference is closely related to that of the award being charged
- An aim of the award is for the PI to host a conference to disseminate information from the sponsored project

E. Equipment

Why are general-purpose equipment costs treated as *indirect costs*?

Acquisition costs and other capital expenditures for general-purpose equipment are generally treated as indirect costs because general-purpose equipment cannot be easily linked to a particular cost objective.

Examples of equipment that should be considered indirect costs:

- General office equipment and furnishings
- Modular offices
- Telephone networks
- Information technology equipment and services
- Reproduction and printing equipment
- Motor vehicles
- Air conditioning equipment

When may equipment be charged as a *direct cost*?

Special-purpose equipment necessary for the performance of the research that can be identified specifically with a sponsored project may be charged as a direct cost.

Examples of special purpose equipment that may be charged as a direct expense include:

- Microscopes
- X-ray machines
- Surgical instruments
- Spectrometers
- High-end server/data storage devices for a particular project

If you plan to charge specialized equipment as a direct cost:

If you plan to charge specialized equipment as a direct cost:

- If the expense is anticipated, include it in your budget at the proposal stage.
- Define the way in which the specialized equipment is needed for the sponsored project.
- Ensure that the equipment is not for general use.
- Conform to all specific restrictions and approval requirements outlined in the terms and conditions of the award.

F. Local Meals

Why are local meals and meals without associated travel normally treated as *indirect costs*?

Without associated travel, meals would normally be an individual's personal responsibility.

Meals consumed in the local environs (i.e. the Longwood Medical Area Campus, the affiliated hospitals, and the Harvard Cambridge and Allston campuses) are rarely allowed to be charged directly to federally sponsored projects.

The [Harvard University Travel Policy](#) may permit the expenditure of Harvard funds for these types of expenses, but they are rarely allowed on sponsored projects. In these cases, the cost should be charged to a faculty or departmental discretionary account.

Examples of food charges that should be considered an indirect expense:

- Researchers meet weekly to discuss progress on the grant.
- PI has lunch/dinner with a colleague to discuss research.

Please refer to the Harvard University [Travel Policy](#) for more information. Domestic and foreign travel charged to a sponsored project should follow the guidelines set forth in the Harvard Travel Policy unless the funding agency imposes greater restrictions. Also note in the Harvard Travel Policy the list of non-reimbursable expenses and expenses that may not be directly or indirectly charged to federal projects.

When may local meals and meals without associated travel be treated as *direct costs*?

Local business meals may be directly charged to an award if they are linked to a formal meeting or conference at which technical information directly related to the award is being shared or disseminated (see OMB Circular A-21, Section J.28, "Professional Activity Costs").

Note that specific sponsors may have varying terms and conditions that differ from the OMB Circular A-21 definition. Please refer to the award's terms and conditions for any specific treatment of costs.

Examples of food charges that can be allowed as a direct cost:

- Lunch and refreshments are provided for a periodic all-day meeting of collaborators on a program project where technical information closely related to that project is being shared. There is a formal agenda and documented attendee list. Meeting participants are from different locations.
- A researcher is being recruited to fill an open position on a research grant and travels to Harvard University local environs. The researcher's meal may be charged to the grant since she is on travel status.

If you plan to charge a meal to a sponsored project as a direct cost:

- Document the purpose of the meeting and why food is necessary. Retain a copy of the formal agenda and a formal list of external and internal attendees.
- If you know that the meeting will be scheduled in advance, include the expense in the proposal budget, with justification.

G. Local Parking

When can local parking be treated as a *direct cost*?

Parking can be charged as a direct cost if the local travel benefits the project directly and there is a clear and reasonable business case.

Examples of parking charges that can be charged as a direct cost:

- A PI drives within the local environs to meet with collaborators on a specific project.
- A researcher is working on a federally funded project that is spread among several Boston hospitals, requiring occasional trips from Harvard University to the affiliated hospitals.
- Subjects in a research study are reimbursed for parking expenses incurred when they visit the federally funded study site.

If you plan to charge parking as a direct cost:

- Document the way in which the parking clearly benefits the project
- If the expense is anticipated, include it in your budget at the proposal stage.

H. Photocopying

Why is photocopying normally treated as an *indirect expense*?

Photocopying is normally treated as an indirect expense because of the difficulty of associating the material copied with an individual sponsored project. A portion of the cost incurred for general administrative support is included in the F&A rate that is charged to sponsored awards. Because photocopying is included in the F&A rate, it cannot usually be charged as a direct cost.

Note that even when the cost to reprint or copy an article on a particular research technique will provide substantial help in furthering the experiments on a specific grant, it will be difficult to justify a copy charge on a grant unless the unlike purpose and circumstance criteria are met.

When may photocopying be charged as a *direct expense*?

If the photocopying cost is extraordinary due to the nature of the project and can be associated with the sponsored project with a high degree of accuracy, it may be charged as a direct expense. The method of allocation of copy costs to the project should be fully documented and accompanied by supporting records of copier usage.

Examples of photocopying that can be allowed as a direct expense:

- A dedicated copier used to conduct a mail survey
- A copier that is part of the “lab equipment” for the project and is used for a large mailed survey or data sharing

I. Postage and Shipping

Why are postage and shipping costs normally charged as *indirect costs*?

Items such as office supplies, postage, local telephone costs, and memberships are usually treated as F&A costs. Postage and shipping costs are *normally* included in the overhead calculation in most Harvard University schools, because the costs cannot be charged to a specific award with a high degree of accuracy.

At the Harvard School of Public Health (HSPH), postage and shipping costs identifiable to sponsored activities, instruction, or other direct cost objectives in accordance with OMB Circular A-21 Section D.1 are treated as direct costs. HSPH requires that postage costs be directly charged to all benefiting activities. Postage expenses identified to facilities or administrative objectives are treated as indirect at HSPH.

Examples of shipping and postage that are normally considered indirect costs:

- Mailing a proposal to a sponsor
- Any postage or shipping needed to support routine administrative activities
- Shipping costs that cannot be readily identified with a particular sponsored award

When may postage and shipping costs be charged as *direct costs*?

If the postage or shipping costs are required for a project and can be linked to that specific project, that cost may be charged as a direct expense.

Examples of shipping and postage costs that may be charged as direct costs:

- Shipping specimens to a lab facility for processing
- Postage for large surveys
- Shipment of animals for use on a specific project
- Sharing model organisms as required by the terms and conditions on the award

If you plan to charge postage or shipping as a direct expense:

- Explain why the postage or shipping costs solely benefit the project.
- Conform to all specific restrictions and approval requirements outlined in the terms and conditions of the award.
- If the expense is anticipated, include it in your budget at the proposal stage.

J. Office Supplies

Why are office supplies normally considered an *indirect cost*?

General office supplies incurred for administrative and supporting services that benefit common or joint departmental activities in departments and organized research units will normally not be allowed as a direct charge to a federal award. Since office supplies cannot be readily identified with a specific project with a high degree of accuracy, it is considered an indirect cost.

When may office supplies be charged as a *direct cost*?

Specialized supplies may be charged as a direct cost if the use of the supply specifically and solely benefits the sponsored project.

Examples of office supplies that may be charged as a direct cost:

- Office supplies for a program project or a large survey project (different purpose and circumstance)
- Material required for poster or publication preparation (poster board, photographic supplies, color paper for a presentation that is directly attributed to the sponsored project)

If you plan to charge a office supply as a direct cost:

Provide a detailed explanation of the way the supply benefits the specific sponsored project prior to purchase.

IV. Special Considerations for Federal Training Grants

Trainee-related Expenses (TRE's) are "funds provided to defray such training costs as staff salaries, consultant costs, equipment, research supplies, staff travel and other expenses directly related to the training program." Other fellowship and traineeship expenses, such as travel, health insurance, and tuition and fees may be reimbursed in accordance with the NIH Grants Policy Statement, specific award terms and conditions, and the awarded budget. F&A costs are not generally reimbursed for fellowships because a fixed "institutional allowance" is usually awarded. F&A costs for training grants are generally limited to 8% of modified total direct costs. Modified total direct costs are defined as charges that can be assigned to individual sponsored projects with a high degree of accuracy but "modified" by excluding mutually understood costs.

The following trainee-related expenses may be treated as *direct costs* on fellowships and training grants:

- Consultant costs, including seminar speakers (and their travel and honoraria) and related seminar/symposium expenses
- Announcements, posters, and brochures
- The cost of videotaping seminars because the seminars are trainee-related and trainees would benefit from the educational value of the seminars
- Trainee travel
- Health insurance
- Professional membership fees
- Book allowance
- PI travel and conference fee when attending a conference with trainees

Trainee-related Expenses (TRE) as defined by the NIH:
TRE funds are awarded to help pay for other training-related expenses such as staff salaries, consultant costs, equipment, research supplies, and staff travel. TRE is generally requested in a lump sum, based on the number of trainees requested in the application, and entered on the budget page without further stipulation. Awarded travel is for travel to scientific meetings and to research training experiences away from the parent institution that the parent institution deems necessary to the individual's research training.

Type of Expense	Allowable or Unallowable?	Considerations
Honorarium	Allowable	Speaker for seminar for trainees
Administrative Salaries	Allowable	May be allocated to help defray such costs as staff salaries. However, such charges must meet the tests of allocability and reasonableness.
Books/Journals	Allowable	May be allocated if these items directly benefit the research and training of the project.
Domestic Travel	Allowable	Only trainees or PIs w/ trainees may travel to enhance research experience. Not from residence to institution.
Foreign Travel	Allowable	Only trainees or PIs w/ trainees may travel to enhance research experience. Not from residence to institution.
Videotaping of Seminars	Allowable	If seminars are trainee-related and trainees would benefit as they provided unquestionable educational value, then may be allocated.
Business Cards	Unallowable	Would not benefit research or training directly.
Computers	Allowable	May be allocated if computer is purchased by department for trainee use while appointed to the project or if sponsor approved.
Visa	Allowable*	*May be allocated only on Fogerty Training Grants.
Food (ex. Pizza or soda)	Unallowable	General food expenses are unallowable. Described in this manner, these would be considered entertainment costs and as such are unallowable.
Moving Costs	Unallowable	Project funds may not be used for a prospective trainee's travel costs to or from for the purpose of recruitment or relocation.
Health Insurance	Allowable	OK as fee if required of all trainees; Family Health Insurance is allowable. Unallowable: FICA, workers' comp, unemployment insurance. In TRE category, overhead-bearing.
Advertising	Allowable	Recruitment costs may be allocated.
<p>Please note that the following sources have been referenced:</p> <ol style="list-style-type: none"> 1. http://grants.nih.gov/training/faq_training.htm 2. http://grants.nih.gov/grants/policy/nihgps_2001/part_iib_5.htm 		

Appendices

I. Federal Policies

Harvard adheres to federal policies governing the charging of expenses to sponsored projects. Some of the applicable policies are:

- OMB Circular [A-21](#), Cost Principles for Educational Institutions
- OMB Circular [A-110](#), Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations
- OMB Circular [A-133](#), Audits of States, Local Governments and Non-Profit Organizations

II. University Policies

Pertinent Harvard policies may be found at the following web-site links:

[Harvard University Financial Policies](#)

[Best Practices on Travel and Reimbursement](#)

[Harvard Online Cost Principles and Direct Costs Classes](#)

[Harvard's Overview of Sponsored Projects Administration](#)

[Harvard Office for Sponsored Programs](#)

[Faculty of Arts and Sciences Research Administration Services](#)

[Harvard Medical School and Harvard School of Public Health](#)

[Chart of Accounts: Object Codes Commonly Used for Sponsored Research](#)

III. NIH Grants Policy and Guidance

IV. NSF Proposal and Award Policies and Procedures Guide

V. Harvard OSP || Federal Sources

VI. Questions

If you have a question about the allowability or allocability of a cost to a sponsored project, please seek out some of the resources below:

- a. Department Administrator
- b. OSP Financial Analyst
- c. OSP Financial Team Leader or Manager
- d. School Compliance Officer

If there is a disagreement between the grants administrator, the Principal Investigator, and/or OSP Financial Services about the allowability or allocability of a cost to a sponsored project, please send an email to the [Cost Analysis Group](#). The Cost Analysis Group (CAG) is a cross-

University collaborative group that discusses and resolves allowability disputes, provides guidance on accounting and chart of accounts issues, and assists with drafting and revising some University policies.