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**UNIVERSITY OF MIAMI POLICY AND PROCEDURE MANUAL**

TITLE:	Cost Principles Policy	REFERENCE:	New
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		SUPERSEDES:	New
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**PURPOSE:**

The purpose of this policy is to provide guidance and ensure compliance with direct cost procedures in accordance with 2 CFR 200, Federal and State regulations, and other agency specific requirements. This policy identifies when costs are typically allowable and those that are unallowable on sponsored activities.

Failure to comply with UM's policies and procedures may result in audit findings, suspension of sponsored activities, closer monitoring by the sponsor, delays in final payments, and/or other enforcement actions imposed by the sponsor. This policy applies to all Federal and non-Federal sponsored activities, including all externally funded clinical trials.

**SCOPE:**

All UM personnel must be aware of the complex and detailed rules provided under Federal and non-Federal regulations as well as the terms and conditions of the individual sponsored activity. While compliance with all applicable requirements is essential, it is equally important to maintain an open research environment that welcomes the participation of researchers from around the world as part of UM's mission. To maintain this balance, UM personnel must be familiar with this policy in addition to the Federal and non-Federal regulations on restricted sponsored activities.

This policy applies to all UM personnel, namely:

- Faculty, including voluntary faculty.
- Faculty emeriti engaged as active researchers on UM research activities.
- Researchers, including research staff, postdoctoral fellows, and research associates.
- Graduate students, undergraduate students, and interns involved in research programs.
- Staff in departments, centers, institutes, and administrative offices charged with responsibilities under this policy.
- Consultants, agents, and volunteers associated with research and scholarly activities, as well as in departments and offices charged with responsibilities under this policy.

**POLICY:**

All sponsored projects will comply with all applicable Federal, State and/or agency-specific direct cost policies.

In order to maintain financial integrity, direct costs must adhere to the following criteria:

1. Direct costs must be allowable, reasonable, conform to any applicable limitations or exclusions, consistent, in accordance with generally accepted accounting principles, and adequately documented per the guidelines described in 2 CFR 200 and any agency specific requirements. Costs that are not allowable cannot be charged to a sponsored project.
2. Direct costs should be incurred throughout the life of the award. Direct costs submitted within the last 30 days of the project period are subject to higher scrutiny to confirm the charges are: (1) necessary for the completion of the project; (2) not used to expend the remaining balance of the project funds; and (3) not used to cover costs from another project. Equipment purchases within the last six months of the project period require written justification and possibly require prior authorization from the sponsor which will be obtained by the Office of Research Administration (ORA).
3. Direct cost allocation must adhere to applicable Federal and State regulations and other agency specific requirements, generally accepted accounting principles, and UM's policies. Direct costs will not be allowable if they violate applicable policies.
4. Direct costs must be charged to the appropriate sponsored activity. Direct costs that may be attributed to more than one project, must be allocated based on a reasonable proportion of the benefits received. Direct costs may not be allocated by assigning charges to a project with the largest remaining balance, assigning charges to a project with the earliest end date, or charging the budgeted amount to the project.
5. Direct costs must be properly justified with sufficient supporting documentation. This includes, at a minimum, invoices, statements, and receipts along with appropriate classification. In some cases a detailed explanation may be required in order for a reviewer to understand the purpose of the cost and conclude whether it is appropriate for the project.
6. Costs must be treated consistently as direct or F&A (indirect) costs:
  - a. § 200.414 (b) recognizes that it is not possible to specify the types of costs that may be classified as F&A in all situations, but states that typically general expenses and general administration cost would be F&A costs. Costs incurred for the same purpose, in like circumstances, must be treated uniformly as either direct or F&A costs. Costs included as an F&A cost in UM's federally negotiated F&A cost rate are not normally treated as a direct cost on awards funded by Federal funds. Direct charging of these costs may be appropriate only if all of the following conditions are met: (1) administrative or clerical services are integral to a project or activity; (2) individuals involved can be specifically identified with the project or activity; (3) such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and (4) the costs are not also recovered as indirect costs.
  - b. Salary cost for administrative and clerical personnel are normally treated as F&A cost and should not be directly charged to sponsored activities unless all of the requirements of 6a above are met.
7. Direct costs must be correctly categorized by utilizing UM's financial system:
  - a. Direct costs must be classified appropriately in order to invoice and report the financial activity for sponsored projects.

b. Un-allowed costs must not be disguised as allowable by purposefully altering UM's coding.

The following costs are unallowable charges to sponsored projects as either direct costs or as part of the F&A rate. They must be identified by the financial system coding designated for those expenses:

- Advertising and public relations, other than advertising for help wanted or for the procurement of goods or services necessary for the performance of the award (i.e. human subjects)
- Alcoholic beverages
- Bad debt expense
- Contributions and donations
- Entertainment, unless specifically provided for in the award
- Fines, penalties, damages, and other settlements
- Goods and services for personal use, such as automobiles
- cost for interest on borrowed capital, temporary use of endowment funds, or the use of UM funds
- Individual memberships in business, technical, and professional organizations
- Memberships in social, dining or country clubs or organizations

In addition to the specific costs listed above, costs associated with the following activities are unallowable direct charges to sponsored projects. They must be identified and accounted for in funds specified for their purpose:

- Alumni activities
- Commencement and convocation costs
- Executive and legislative lobbying
- Fund raising and investment management
- Losses on other awards or contracts
- Costs for prosecuting claims against the Federal government

#### **DEFINITIONS:**

Please refer to UM's ORA website for a list of acronyms and terms commonly used in sponsored/ research administration grants, contracts, and cooperative agreements: <http://ora.miami.edu/assets/pdf/ora-policies/glossary.pdf>

#### **PROCEDURE:**

UM personnel are to use [UM's ORA website](#) for guidance on matters pertaining to sponsored activities.

UM personnel are to follow the Standard Operating Procedures (SOP) outlined, as well as utilize the various required forms and templates that have been implemented for the activities related to this policy.

UM personnel should contact the Pre or Post Award staff for consultation if additional information is needed. Contact information can be found on [UM's ORA Contacts Webpage](#).