

University of Rochester
Guidelines for Treatment of Computers as
Direct Costs on Sponsored Projects
November 2010

I. GUIDELINES STATEMENT

These guidelines reflect the University of Rochester's ("University") practices regarding directly charging computers to sponsored project sub-ledger 5 accounts. These guidelines apply to all sub-ledger 5 accounts regardless of sponsor.

To qualify as a direct cost, a computer must be allocable, allowable, reasonable and given consistent treatment. Furthermore, the transaction must satisfy the additional criteria contained within these guidelines and be documented accordingly.

II. REASON FOR GUIDELINES

The University considers compliance and responsible stewardship as critical for continuance of the University's tradition of research excellence.

Existing federal authoritative guidance does not specifically discuss computers in depth. Rather, there are general principles and guidance, such as the following:

- "General purpose equipment" means...information technology equipment. Capital expenditures for general purpose equipment...are unallowable as direct charges, except where approved in advance by the awarding agency. [OMB Circular A-21 J.18.a.(4) and J.18.b.(1)] ;
- A direct cost can be specifically identified, provides benefit to a project, program, or activity and can be directly assigned to such activities relatively easily and with a high degree of accuracy. [NIH Grants Policy Statement];
- General-purpose equipment, such as a personal computer and office furnishings, are not eligible for support unless primarily or exclusively used in the actual conduct of scientific research. [NSF Grant Proposal Guide]; and
- General purpose (word processing, spreadsheets, communication) computer equipment should not be requested. [NSF Grant Proposal Guide].

These University guidelines will assist to achieve consistent and prudent interpretation of the federal general principles and guidance with respect to the charging of computers.

III. ENTITIES AFFECTED BY THESE GUIDELINES

These guidelines apply to all University of Rochester schools and colleges. The guidelines also apply to all organizations to whom the University awards subcontracts using sponsored project funds (sub-ledger 5 accounts).

IV. WHO SHOULD READ THESE GUIDELINES

Faculty members with responsibility for sponsored project accounts and all personnel to whom the faculty members delegate authority to authorize expenditures on sponsored project accounts need to read and understand these guidelines.

V. WEBSITE ADDRESS FOR THIS POLICY

<http://www.rochester.edu/ORPA/policies/index.html>

VI. RELATED DOCUMENTS, FORMS AND TOOLS

Office of Management and Budget Circular A-21 (2004 Revision) Section J.18.

University of Rochester Guidelines for Capitalization of Assets (June 2005)

Guidelines on Determining the Allocability and Allowability of Equipment Purchased from Sponsored Program Funds (September 2001)

VII. CONTACTS

For clarification and interpretation of these guidelines, contact the following:

Associate Vice President, Office of Research and Project Administration [ORPA]
(ext. 55373)

Assistant Controller, Office of Research Accounting and Costing Standards
(ext. 51648)

Research Compliance Officer, ORPA (ext. 64069)

VIII. DEFINITIONS

CLASP

CLASP (Continuous Learning for Administrators of Sponsored Programs) is a University classroom-based educational program consisting of basic and comprehensive instruction for sponsored projects compliance. All University administrators having functional responsibility on sponsored projects are required to complete CLASP training. Functional responsibility may be characterized by having an ability to originate, authorize, or approve transactions associated with sponsored projects; involvement with proposal preparation; or active review and monitoring of the financial activities within sponsored project accounts.

Computer

This term encompasses all information technology equipment, including high-end mainframes, minicomputers and personal computers (microcomputers used by one person such as desktops and laptops). The equipment can either result from a single procurement transaction or from multiple transactions whereby separate components are ultimately combined.

Sponsored Project

Refer to the following web site:

<http://www.rochester.edu/ORPA/policies/DefSponsProg.pdf>

Subcontract

A subcontract is a document written under the authority of a sponsored project that transfers the responsibility for a portion of the research to another organization.

IX. RESPONSIBILITIES

The Principal Investigator will provide their CLASP-certified administrator the rationale for:

- the budget justification section of the proposal that the use of the computer is different from similar items provided by the department that are treated as Facilities and Administrative (“F&A” or “indirect”) costs using the “95% primary use” criteria as guidance (refer to Section X of these guidelines); and
- a memo of justification (addressing the same matters in the prior bullet point) if the need for a computer arises during the life of the project but was not requested in the original proposal.

The CLASP-certified administrator will:

- Provide the memo of justification to ORPA if the sponsor requires prior approval of such costs and attach the memo to the procurement documentation (to be retained in the sponsored project file at the department).

ORPA will:

- Request sponsor approval for the computer purchase on behalf of the Principal Investigator if the sponsor requires approval of such costs.

X. PRINCIPLES

A cost qualifies as a direct cost for a sponsored project if the cost is allowable by the sponsor and the award's specific terms, is reasonable and is given consistent treatment regardless of funding source. Further, the cost must be allocable to the project, program or activity. To be allocable, a cost must be assignable to an activity with relative ease and accuracy. The cost may be allocated to one or more sponsored projects unless the sponsor's terms and conditions prevent such an allocation.

Computers are generally used for many different activities (for example, instruction, research, administration), therefore it is usually difficult to quantify with a high enough degree of accuracy the amount of benefit to one specific project to allow the allocation/direct charging of the computer to that one project.

As such, the federal government generally considers computers and computing support to be an administrative cost covered by the F&A reimbursement of a project, rather than as a direct cost.

The following criteria must be satisfied for a computer to qualify as a direct cost to a sponsored project:

- The sponsor and specific award terms and conditions can not specifically prohibit the expenditure for the computer (for example, the sponsor does not specifically take exception to a proposed computer purchase as described in the budget justification section of a proposal); and

- The computer must be necessary for, and directly allocable to, the project (i.e., functioning as, or in direct support of, specialized scientific equipment [non-training grant]; the “principal use” of the computer is toward the project’s activities; and the computer would not have been purchased other than to support the goals of the research project).

It is noteworthy that even if a sponsor does not take exception to a specific budget justification for a computer purchase, the computer purchase is still not an allowable cost if the purchase does not conform with the principles outlined in this section of the Guidelines.

To support the allowability criteria of “principal use”, a computer must be used an average of approximately 95% for the programmatic conduct of the sponsored project.

The following conditions support the “95% primary use” criteria. The non-programmatic use of the equipment

- is incidental and will never interfere with the needs of the project;
- is solely for the convenience of the research team (e.g. to respond to email); and
- is not for general administrative support activities such as procurement and financial accounting (as contrasted with documentation of scientific progress and related report preparation).

Following are non-inclusive examples of situations whereby a computer might qualify as a direct cost to a sponsored project:

- A computer is functioning as, or in direct support of, scientific equipment and is required for collection and/or analysis of data for the sponsored project;
- A computer is specifically needed to record data while the researchers are in the field at a remote location (such as an archeological site). In such situations, the computer is used either exclusively or primarily for the project; and
- Training grant institutional allowance funds are used to purchase a computer for a student supported on the training grant because the student needs the computer to document their research.

Justification might exist for allocating the computer among more than one project (for example, if the projects have overlapping aims). In such circumstances, the aforementioned criteria in this section (including the 95% primary use criteria) must be satisfied for all respective projects. If allocations to more than 3-4 projects are contemplated, however, it is less likely the computer qualifies as a direct charge.

Regarding the allocation of the non-primary use component of a computer purchase, departments may choose to allocate more than 5% of the cost of a computer to unrestricted funds as a conservative approach in recognition of research and other faculty responsibilities often being inextricably intermingled.

XI. PROCEDURES / DOCUMENTATION

If the need for a qualifying computer is known at the time of proposal preparation, the justification documentation is included in the proposal. The purpose and direct benefit to the project should be fully described, such as including an explanation of how the use of the computer is different from similar items that are treated as F&A costs and how the project will be negatively impacted if the computer is not purchased. The three conditions supporting “primary use” (refer to Section X) should be referenced as appropriate.

If the need for a computer is identified subsequently—during the life of the project—and is believed to satisfy the criteria contained in these guidelines, a memo of justification needs to be attached to the procurement documentation that is retained in the grant’s file. The memo of justification should explain how the use of the computer is different from similar items provided by the department that are treated as F&A costs and how the project will be negatively impacted if the computer is not purchased. The three conditions supporting “primary use” (refer to Section X) should be referenced as appropriate. If the sponsor requires prior approval of such costs, a memo of justification must be provided to ORPA and ORPA will request the sponsor’s approval. Under these circumstances, the computer can not be treated as a direct cost to the project until the appropriate approval is obtained.

In no circumstance can a computer be charged to a sponsored project if the request is specifically denied by the sponsor either through the budget approval process or during a specific approval request in the post-award phase.

Lack of documentation can jeopardize the allowability of the equipment as a direct charge to the project. If the cost is ultimately not allowed, it will need to be absorbed by the department’s unrestricted resources.