

**Direct and Indirect (F&A) Charges to Sponsored Awards  
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 awards and those that will be charged to administrative support worktags.

**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, and Other Institutional Activities. Costs incurred to support these activities, such as salaries and wages, fringe benefits, materials and supplies, travel, subcontracts, 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 worktag and/or other appropriate procedures as required under the circumstances.

The procedures used for identification of direct costs by function to benefiting worktag and activities apply to sponsored, cost sharing, and institutionally supported worktags 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 award 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 award based on actual utilization of services and cost based-charge rates.
3. Proportional Allocation: Costs that benefit two or more awards 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 awards 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 awards are identified in the accounting records and recognized as indirect (now F&A) expenses. These worktags, 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.

In instances where sponsored awards 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. They are integral to the award or activity;
2. Individuals involved can be specifically identified with the award 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

Other special circumstances for direct charging of costs occur when sponsored awards require specific support services that are not provided by the indirect administrative worktags. Examples of instances where sponsored awards 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 award-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 awards/worktags are provided by the Institute as indirect expenses. Some programs, however, due to the level of classification/special access, require award specific additional security services. These services, where managed and/or contracted for separately from the existing security services, are charged directly to sponsored awards.

-Motor vehicle expenses - Maintenance expenses of sponsored award dedicated vehicles and vehicles used in the field will be directly charged to grants, 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 grant.

-Postage and Copy charges -If the scope of a sponsored award 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 award budget, postage and /or copy will be charged as a direct cost.

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