

# HARVARD UNIVERSITY



## Sponsored Expenditures Guidance

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## I. Introduction

This document provides guidance on appropriate budgeting and expenditures of sponsored funds, whether from federal or non-federal sources and whether directed toward research, training, or other purposes. The guidance in this document aligns with the federal requirements in [2CFR200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance, or UG\)](#) as applicable. Additionally, all Harvard expenditures must comply with Harvard policies and follow Harvard guidelines (See Section [VIII: Related Harvard Policies, Guidance, and Other Resources](#)).

### Who Should Follow This Guidance

All Principal Investigators and administrators within all schools, units, divisions, affiliates, University-wide initiatives, and centers who are responsible for the administration and conduct of sponsored awards to Harvard University must comply with this guidance.

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## II. Cost Principles for Federal Awards

This guidance is based on the interpretation of federal regulations, and adherence is required for all federal awards and cost share / companion accounts.

For any costs to be charged directly to a federal award the expense must be:

1. **Allowable** under both the provisions of federal guidance **and** the terms of a specific award
2. **Allocable**: the expense can be associated to a project with a high degree of accuracy
3. **Reasonable**: the cost reflects what a “reasonably prudent person” would pay in a similar circumstance
4. **Consistently** charges as direct expense (versus an indirect cost). Note that certain types of projects constitute exceptions to the consistency requirement as referenced in this guidance.

### Expense Categories

In general, there are three categories of expenses

1. **Direct Expenses**: An expense can be identified specifically with a particular sponsored project or other activity with a high degree of accuracy

- These expenses can normally be directly charged to federal awards. However, the terms and conditions of the sponsored award must be reviewed prior to determining the appropriateness of expenses for each individual project.
2. **Indirect Costs:** Sometimes referred to as facilities and administrative (F&A) costs or overhead, are costs that benefit many activities (e.g., building operations and maintenance, IT expenses, security, administrative personnel such as grant managers, etc.) and as such cannot be easily identified with a particular sponsored project.
- Indirect (F&A) costs are recovered as a percentage of the eligible direct costs expensed to the award. The indirect cost rate is negotiated with a federal agency (Department of Health and Human Services (DHHS) for Harvard).
  - Note that not all direct costs can be assessed overhead. Modified Total Direct Cost (MTDC) base is the calculation used for all federal awards. MTDC is the sum of all direct costs excluding the following line items:
    - Subaward budgets (inclusive of direct and indirect costs) in excess of the first \$25,000
    - Hospitalization and other fees associated with patient care whether the services are obtained from an owned, related or third-party hospital, or other medical facility
    - Rental/maintenance of off-site activities; student tuition remission and student support costs (e.g. student aid, stipends, dependency allowances, scholarships, fellowships.)
    - Capital expenditures (buildings, individual items of equipment; alterations and renovations)
  - The federally negotiated rate is utilized unless otherwise noted by the Funding Announcement
  - These expenses may not be charged as direct expenses to federal awards unless the costs meet the [“Unlike Purpose and Circumstances” Criteria](#) noted below.
3. **Unallowable Expenses:** These costs may not be charged to either a federal award or federal cost share account as a direct charge or indirectly as recovered through the F&A rate (referenced in 2

CFR §200.410). Payments made for costs determined to be unallowable (either as direct or indirect) must be refunded to the federal government. Departments are responsible for working with Office of Sponsored Programs (OSP) to ensure that direct and indirect funds relating to unallowable expenditures are either returned to the federal government or offset in the award.

### **Cost Accounting Standards (CAS) [48 CFR §9905 et al.](#)**

In addition, the Uniform Guidance incorporates four standards, disseminated by the Cost Accounting Standards Board, that apply to colleges and universities:

- Estimating, accumulating, and reporting costs (CAS 9905.501)
- Allocating costs incurred for the same purpose in like circumstances (CAS 9905.502)
- Accounting for unallowable costs (CAS 9905.505)
- Cost accounting periods (CAS 9905.506)

#### *“Unlike Purpose and Circumstances” Criteria*

The CAS consistency standard (CAS 502) states that costs must consistently be treated as direct costs or indirect costs when the costs are incurred for similar purposes and circumstances. Costs normally considered indirect costs – e.g., administrative salaries, postage (excluding HSPH) and express mail, telephone, copier expenses, general office supplies, and space-related costs – may be allowable as direct costs if they meet the following criteria:

1. An unlike circumstance exists in which a sponsored project requires resources beyond those normally expected for a typical research project; **and**
2. The cost can be associated with the specific sponsored project with a high degree of accuracy; **and**
3. The expense is fully documented for this unlike purpose following all Harvard policies and agency requirements, including obtaining sponsor prior approval as needed. It is a best practice to anticipate these types of expense needs **prior** to the award by including these types of expenses at proposal submission stage in the budget of the grant application.

## Applicable Federal Regulations

### *Grants and Cooperative Agreements*

The spending of any funds awarded by the federal government as grants and cooperative agreements to Harvard are governed by 2 CFR §200 published by the Office of Management and Budget (OMB).

### *Contracts*

Federal contracts include [FAR \(Federal Acquisition Regulations\)](#) clauses that govern the terms and conditions of the contract. The Department of Defense (DoD), GSA, and the National Aeronautics and Space Administration (NASA) jointly issue the Federal Acquisition Regulation (FAR) for use by executive agencies in acquiring goods and services. OSP and Office of Research Administration (ORA) review and negotiate these terms when reviewing federal contracts. Note that federal contracts are a very small percentage of the portfolio; the vast majority of awards are grants and fall under the guidance in [Section V](#). Managing contracts requires knowledge of the specific terms and conditions negotiated for each individual contract.

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## III. Cost Principles for Non-Federal Awards

Harvard treats all non-federal awards as “different purpose and circumstance”; therefore, barring any sponsor or grant restrictions, the grant expenditures fall under general University policies.

However, proper stewardship of non-federal awards, including those from non-US governmental sponsors, requires adherence to these key principles:

1. **Allowable** under Harvard policies and complies with the terms and conditions of the award;
2. **Directly benefits the purpose of the award**: that is, the expense can be associated with, and is in support of, the project or program; and
3. **Reasonable**: the expense reflects what a “reasonably prudent person” would pay in a similar circumstance.

Charges on non-federal awards require the careful review of terms and conditions and any other supporting documentation (e.g., approved budget, sponsor guidance) in order to determine appropriateness of charges. Any questionable expenses (e.g., alcohol), if not specifically captured in the approved budget, should be reviewed by the appropriate school/department prior to expending funds.

Specific sponsor approval may also be required in some cases. School guidance and policies may be more restrictive on questionable expenses than those of the University, and it is important to involve your school contact when determining the allowability of an expense.

### **Consideration of Indirect Costs (F&A) for Non-Federal Grant**

Direct and indirect on non-federal awards are dictated by the sponsor's policies. Variability among non-federal sponsors' policies and a lack of specificity in policies or award terms may require additional scrutiny and judgment in determining what costs can be charged as direct expenses that may normally be considered indirect costs when associated with federal awards (e.g., rent or space, administrative support staff).

It is also important to consider that many non-federal sponsors pay a nominal indirect cost rate, and it is sometimes appropriate to budget as direct costs certain items that would normally be considered indirect costs on federal awards that capture these types of costs through the full indirect costs rate as noted above.

When preparing budgets for non-sponsored awards, the [Harvard Policy for the Application of Indirect Costs to Sponsored Awards](#) should be reviewed and implemented.

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## **IV. Procedures for Expensing Costs to Sponsored Awards**

### **Application of Relevant Policies and Approvals**

All Harvard expenditures and research activities must comply with and follow any relevant Harvard policies and guidelines that govern that expense/activity type.

Most of these relevant policies can be found in the following central locations:

- [Sponsored Policies and Guidance](#): Office for Sponsored Programs (OSP)
- [Research and Academic Policies](#): Office of the Vice Provost for Research (OVPR)
- [Financial Policies and Procedures](#): Office of the Controller (OC)

Additionally, expenses to awards and cost share funds also must follow funding agency requirements and, where applicable, federal regulations, including Uniform Guidance, and federal statutes, whichever imposes the greatest restriction(s).



## **Cost Sharing**

Expenses incurred to meet cost-sharing commitments require the same accounting, financial, legal, and regulatory burdens as expenses charged directly to Harvard sponsored awards. Expenditures recorded as cost sharing must follow the guidance in this document and the [University Cost Sharing Policy](#).

## **Procurement**

It is a requirement to follow the [University Procurement Policy](#) when procuring goods and services using sponsored funds. Additionally, you should pay attention to individual sponsor award terms and conditions to ensure that award procurement requirements are noted and followed.

## **Prior Sponsor Approval (Prior Written Approval)**

Prior written approval (prior approval) may be required by the sponsor before an expense can be charged to the award as noted in their terms and conditions or federal guidance where applicable. Common examples include: rebudgeting; changes in effort; changes in key personnel; or changes in scope. Prior approval requests must be submitted by a Harvard authorized business official (OSP or ORA) and the expense may not be charged to the award until granted in writing by the sponsored agency. For federal grants and agreements, prior written approval is governed by 2 CFR §200.407. See [Section VI](#) for more information.

## **Allocation of Expenses Across Funds**

When direct costs benefit two or more projects or activities in proportions that are not easily determined, a reasonable and documented allocation methodology should be used to allocate the costs. A cost allocation methodology should be established and documented based on the [Sponsored Cost Allocation Methodology Guidance](#).

## **Documentation to Support the Allowability of Expenses**

Documentation is required to support the allowability of any expense charged to a sponsored award. The supporting documentation for expenditures should be adequate to demonstrate and justify that the expense:

- Provides a direct benefit to the award

- Complies with any award restrictions and approval requirements outlined in the terms and conditions of the award
- When applicable, qualifies as “unlike purpose and circumstance” on a federal award

Some examples of supporting documentation:

- Emails from the PI with explanation and justification of the cost
- Budget Justification
- PI approval of invoices
- Contract documents

Under certain circumstances, additional documentation may be required at the request of OSP or the sponsor. Documentation should include a full and succinct explanation to substantiate the direct benefit to the project. Refer to [Section V](#). for more detailed requirements. All documentation must be maintained according to [Research Records Retention](#) & [Data Management](#) on the Office of the Vice Provost for Research website.

### **Collection of Improper Payments**

2 CFR §200.428

An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate. Amounts collected may be used by the non-Federal entity in accordance with cash management standards set forth in §200.305.

### **Sponsored Expenditure Questions and Dispute Escalation**

The Sponsored Expenditure Guidance provides general and specific guidance regarding allowability and allocability of charges to federal and non-federal awards. There may be situations where a PI and the local department or research administration staff have questions or do not agree on the treatment of specific expenses.

When this occurs, guidance should first be sought from department or school/unit’s research administration staff to review the allowability and allocability of the disputed cost(s).

If further clarification or agreement is needed beyond this level, the question should be sent to the [serc@harvard.edu](mailto:serc@harvard.edu). The Sponsored Expenditure Review Counsel (SERC) will review and respond to questions submitted. The SERC will be coordinated by OSP in consultation with other school's senior research administration staff.

*School-Level Contacts for Guidance on Allowability of a Specific Expense:*

- **FAS:** Nuala McGowan, Senior Director of Research Finance and Compliance
- **GSE:** Tiffany Blackman, Senior Director for Research Administration
- **HKS:** Carrie Kachoria, Director of Research Administration
- **HMS:** Rita Bergemann, Director of Research Finance
- **HSPH:** Judy Lo, Associate Director Cost Analysis and Compliance
- **SEAS:** Senior Director of Research Administration – Pam Baker-Webber
- **Wyss:** Paula Cornelio, Senior Administrative Officer

*Central Level Contacts (and contacts for those without a school-level representative)*

- **OSP:** Judith Ryan, Director, Cost Analysis

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## **V. Treatment of Specific Types of Expenses for Federal Awards**

This section provides guidance for some of the more common types of costs associated with federal research expenditures. Refer to the Cost Principles in Subpart E, §200.400-200.476 of the Uniform Guidance for the full listing of types of costs. Please contact your school research office or OSP with any specific questions.

### **Administrative and Clerical Salaries**

2 CFR §200.413(c)

Administrative and clerical personnel provide non-technical support services that benefit departmental, institute, center, or school activities. The services of these individuals could include: clerical support, financial management, procurement of materials and services, budget and planning, and personnel management.

The salaries of administrative and clerical personnel are typically treated as indirect costs unless they meet **all** of the following 4 conditions:

1. Administrative or clerical services are integral to a project or activity; **and**
2. Individuals involved can be specifically identified with the project or activity; **and**
3. The expense follows the Harvard [Administrative and Clerical Salaries on Federal Awards Policy](#). Such expense should typically be included in the application budget and, if not budgeted, prior written approval is obtained when required by the federal awarding agency.
4. The costs are not also recovered as indirect costs.

### **Advertising and Public Relations**

2 CFR §200.421

These include costs of advertising media, including magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and related administrative expenses.

Advertising/media expenses are only allowable as a direct charge if used solely for **one** of the following uses:

1. The recruitment of personnel required for performance of a federal award (subject to the requirements in Recruiting section and 2 CFR §200.463);
2. The procurement of goods and services for the performance of a federal award; **or**
3. Program outreach and other specific purposes necessary to meet the requirements of the award.

### **Alcoholic Beverages**

2 CFR §200.423

Alcoholic beverages and related expenses are unallowable costs.

In the unusual circumstance where alcohol is specifically necessary for the aim and scope of the project, and the sponsor provided specific approval in the award notice or in subsequent written communication, it can be directly charged.

If alcohol is part of a business meal on a federal award, an itemized receipt should be retained even if the total amount of the bill is less than \$75. If an itemized receipt is not available, use a Missing Receipt Affidavit (MRA), and:

- If the meal(s) did not include alcohol, the traveler must attest in writing that no alcohol was charged, and the entire amount can be charged to the appropriate federal award.
- If the meal(s) did include alcohol and the traveler can attest the alcohol cost in writing, then the alcohol portion of the meal costs, along with the applicable tax and tip, must be charged to a non-sponsored account (using object code 8450). The remainder of the meal costs can be charged to the appropriate federal award.
- If alcohol was included and the traveler **cannot** attest to the alcohol cost, no portion of the meal costs can be charged to a federal award.

Note that individuals using systems outside of Concur for reimbursement must attest that no alcohol costs have been included with the reimbursement request. Please refer to your school/tub or local level managing unit policy for additional guidance.

### **Bad Debts**

2 CFR §200.426

Bad debt or uncollected billings, including losses (whether actual or estimated) from uncollectable accounts and other claims, are unallowable and may not be charged to a federal award. Collections and legal expenses related to bad debt are also unallowable.

For treatment of bad debts relating to service center unpaid charges, please refer to the [Academic Service Center Policy](#).

### **Compensation (Bonuses, Severance, and Medical and Family Leave)**

2 CFR §200.430

Compensation costs includes paid time off available to all Harvard employees (sick time, holidays and personal time) and are generally allowable as a direct expense when the paid effort provides a direct benefit to the award and when the amount is within the federally allowable limits (e.g., agency-specific salary caps).

Special Considerations:

- The level of compensation may not increase solely due to an increase in available sponsored funding.
- Stipend payments (6450/6452) to supplement a federal fellowship are unallowable on any federal award.
- All Harvard employees must be budgeted as salary and cannot be included as consultants or vendors.

*Bonuses/Incentive/Extra Compensation*

2 CFR §200.430(h)

Incentive compensation paid to faculty or staff can be charged to awards when **all** of the following criteria are met:

- Payment is part of a performance-based bonus program available to all employees, or groups of employees, at the University or a specific school or tub; **and**
- The overall compensation to the individual is reasonable; **and**
- The bonus program is consistently applied and allocated based on proportional benefit.
  - Bonuses should be reviewed to ensure there is a benefit to the project and back-up documentation should be retained

Charges for salaries (including bonuses/incentive pay) must be based on accurate records of work performed supported by a system of internal control which provides reasonable assurance that charges are accurate, allowable, and properly allocated. 2 CFR §200.430(i)(1)(i).

*Medical and Family Leaves*

See "[Guidance on Charging Approved Family and Medical Leaves to Sponsored Awards](#)" and the related "[FAQs on Guidance on Charging Approved Family and Medical Leaves to Sponsored Awards](#)".

*Severance*

2 CFR §200.431(i)(1)

Severance pay is compensation in addition to regular salary and wages paid by an institution to employees whose services are being terminated. Expenses of severance pay are allowable only to the

extent that such payments are required by law, or by Harvard-employee agreement, or by established policy and available for specific categories of employees or all employees at Harvard.

Refer to the Harvard University [Severance on Sponsored Awards – Guidance](#) for exact criteria and procedures for applying these costs to sponsored awards.

Note for Harvard T.H. Chan School of Public Health: Standard severance payments are incorporated into the school's supplemental fringe benefit rate and are therefore not allowable as direct expenses on sponsored awards.

#### *Non-Harvard Employees Working on Harvard Awards*

Harvard cannot employ individuals who reside outside of the United States or in states where Harvard is not registered. Updated resources are being developed and will be published soon.

For questions or additional information, please contact your local sponsored office.

### **Communication Expenses (Cell Phones, Internet)**

#### 2 CFR §200 Appendix III

Due to the difficulty in identifying portions of a communications bill to a specific award or other university activity with a high degree of accuracy and certainty, communication expenses are generally included in the indirect cost calculations and treated as indirect costs. Only when a communication expense meets the [“Unlike Purpose and Circumstances” Criteria](#) noted in 48 CFR 9905.502 can they be directly charged to a sponsored award.

Communication expenses charged as indirect costs include the following:

- Charges for landline telephone services
- Cell phones, smart phones, or other personal digital assistant, “PDA,” device charges

Communication costs may be charged as a direct expense if they can be linked to a specific sponsored project with a high degree of accuracy and are used almost exclusively for the sponsored project.

Examples of communication expenses that may be charged as a direct cost include the following:

- Communication devices used exclusively for conducting surveys
- Necessary to manage a multi-site research project

- Dedicated telephone lines set up to receive data feeds from the field or conduct surveys
- Hotel and airline Internet fees during travel related to an award
- Incremental expenses for international coverage for Harvard employees in travel status
- Cell phones in remote locations where communication infrastructure is limited

See also the University's [Staff Mobile Phone Policy](#).

## Conferences

2 CFR §200.432

A conference fee may be charged as a direct expense if **one** of the following circumstances is met:

- The researcher and /or research team are presenting results of the research obtained during the course of his or her work on the project; **or**
- The researcher can confirm that the purpose of the conference is directly related to that of the award being charged; **or**
- An aim of the award is for the PI to host a conference to disseminate information from the sponsored project.

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

Information regarding membership fees associated with conference registrations is found in the Membership section of this guidance.

## Contributions and Donations

2 CFR §200.434

The value (either monetary or in-kind) of donated services and property are unallowable and may not be charged as either a direct expense or as an indirect cost. In certain circumstances these amounts can be used to meet cost sharing requirements.



## Depreciation

2 CFR §200.436

Depreciation should not be charged directly to an award. Harvard is compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with the Generally Accepted Accounting Principles (GAAP) through the school's indirect cost rate.

Depreciation may be included in service center rates in accordance with the [Academic Service Center Policy](#).

## Equipment

2 CFR §200.439, §200.452

Equipment, including fabrications, with a total acquisition cost of \$5,000 or greater is considered capital equipment and may only be charged as a direct expense when necessary for the sponsored award's progress.

- "Special purpose equipment" is equipment that is used only for research, medical, scientific, or other technical activities. Examples of special-purpose equipment include microscopes, genomic sequencers, imaging equipment, and spectrometers.
- "General purpose equipment" is equipment that is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, telephone networks, information technology equipment and systems, air conditioning equipment, and reproduction and printing equipment.

General purpose equipment is generally treated as an indirect cost because it cannot be easily linked to a particular project objective. Equipment types that are typically considered "general purpose" may only be appropriate as a direct expense when a PI is able to justify that the equipment is:

- necessary for the unique scientific/technical tasks of the specific agreement
- not already available, and
- will be initially utilized almost exclusively for the award objectives.

### *Equipment Repairs*

Routine repair and maintenance of general-purpose equipment are normally treated as indirect costs. Service, repairs or warranty costs for special purpose equipment dedicated to a sponsored project may be charged directly.

### *Equipment Purchases at the End of Award*

Equipment purchases charged directly to an award must be necessary for performance on the project; therefore, equipment purchases near the end of an award period require additional scrutiny and may be subject to project-specific justification and/or sponsor approval before they can be charged directly to an award.

See the [Appendix A of the Financial Management of Property, Plant and Equipment Policy](#) for more information or refer to your school/tub or local level managing unit for additional guidance.

### **Exchange Rates**

2 CFR §200.440

Expense increases for fluctuations in exchange rates can be treated as a direct expense when existing funding is available to cover the difference. Prior approval is required only when the change results in the need for additional Federal funding or the increased costs result in the need to significantly reduce the scope of the project. Please refer to [Foreign Awards Paid in Foreign Currency Guidance](#).

### **Fines, Penalties or Settlements**

2 CFR §200.441

Expenses resulting from violations (or alleged violations) of, or failure to comply with, federal, state, local or foreign laws and regulations are unallowable. Examples of items that may not be charged to a federal award include:

- Parking ticket or traffic violation
- Regulatory violation fines
- Late returned book fee

In very rare situations, if an expense is incurred as the result of complying with a specific provision of the federal award or with prior written approval from the federal awarding agency, it may be directly charged to the award.

### **Materials and supplies costs, including costs of computing devices**

2 CFR §200.453

General purpose materials and supplies purchased and used by departments for all activities should not be directly charged to federal awards. Examples include copy paper, office supplies, and general use cleaning materials.

Items, such as lab supplies, purchased specifically for one or more research projects may be charged as direct expenses when included in the approved budget. If the use of the items is shared among projects or labs, an allocation methodology should be created, documented, and periodically reviewed as described in the Harvard [“Sponsored Cost Allocation Methodology Guidance”](#).

Examples of supplies that may be charged as a direct expense include:

- Office supplies specifically purchased for a program project or a survey funded by a grant
- Materials required for poster or publication preparation (poster board, photographic supplies, color paper for a presentation that is directly attributed to the sponsored project) PPE and related equipment and supplies required to be purchased for a sponsored project as a part of standard best lab practice

### *Computing Devices*

The term ‘computing device’ typically refers to a general-purpose device that can accept software for many purposes, in contrast with a dedicated unit of equipment, such as a network switch or router. Direct charging of computing devices costing less than \$5,000 is allowable if such devices are essential to the performance of a federal award, and if costs are allocable to the award; it is not necessary for the device to be solely dedicated to the project if these other criteria are met. For computing devices costing greater than \$5,000 or expenses that are part of a capitalized equipment fabrication, please see the [Harvard Capital Equipment Policy](#).

Examples of computing devices that can be charged as direct expenses if it will remain property of the University for its life span include:

- A laptop necessary to record data in field research
- A computer physically attached to another piece of scientific equipment and/or required for data collection and analysis
- A computer used primarily on the designated sponsored award

Computing devices may be allocated to multiple sponsored awards if the project's portion of the use can be reasonably estimated and is directed by the PI. The expense should be properly allocated to all benefitting activities as described in the Harvard [Sponsored Cost Allocation Methodology Guidance](#).

- If a device is used only in part for an award's activities, the award may only be charged for a portion of the device's expense.
- University-funded activities such as instruction and administration should bear at least their fair share of the acquisition expense.
- De Minimis use of the device for other activities is allowed as long as the device is being used primarily on the sponsored project(s).

### *Copier Charges and Copy Cards*

Copier charges for general administrative support of a project should not be charged as a direct expense.

Copy charges may only be an appropriate direct charge in cases when **both** of the following criteria are met:

- The awarding agency has approved the direct charge in the awarded budget or there is subsequent agency approval. The copy expenses associated with a project are extraordinary and meet the "unlike purpose and circumstance" criteria, **and**
- The copy expenses are an integral part of the specific tasks associated with the sponsored award and can be separately tracked.

### **Memberships, Subscriptions, and Professional Activity Costs (including Books)**

2 CFR §200.454

Memberships, subscriptions, professional activity costs, and books are normally treated as indirect costs because their purpose is more general in nature – i.e., furthering a PI's knowledge in their field – and cannot be identified with a high degree of specificity to an individual research project. Membership may

be charged only if it is required for conference attendance where the researcher is presenting their research, submitting an abstract or obtaining, circulating, or distributing information to advance the performance of the project.

Examples of unallowable direct charges on awards:

- General or reference texts, including medical dictionaries that are generally available in the library or on-line
- Books, manuals, reprints that generally assist the PI in keeping up with their field of research
- Publications that provide a general benefit to research and teaching activities
- Subscriptions to journals
- Memberships to professional organizations (unless it reduces the overall cost of attending the conference or submitting an abstract)

These expenditures may be charged as direct expenses only in unusual circumstances. Examples include:

- The book or journal is not available in the library and can be associated specifically with the sponsored award
- The book or journal is available from the library but is utilized so frequently for a specific award that a library copy is not sufficient
- A book contains a specific research technique or information that will introduce efficiencies to the research or improve the quality of results

### **Participant Support Costs (excluding Training Grants)**

2 CFR §200.75, §200.456

Updated guidance and resources are being developed and will be published soon.

### **Postage and Express Delivery**

2 CFR §200.474

Postage or express mailing expenses are generally treated as indirect costs.

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

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

## Pre-Award Expenses

2 CFR §200.210, 458

Pre-award expenses are expenses incurred on grant awards typically during the 90 days prior to the award start date that are necessary for effective execution of the project. These expenses require sponsor approval and follow the same cost principles as expenses charged during the project period. For some federal sponsors with awards under expanded authorities, such as NSF and NIH, the incurrence of pre-award expenses, up to 90 days, is allowed without sponsor approval.

Any expenditure incurred while an account is in advance status is made at the department's or school's risk. See the [At-Risk Account Guidance](#) for more information.

## Professional Service Expenses

2 CFR §200.459, §200.435

Costs of professional and consultant services are allowable as direct expenses when **all** of the following conditions are met:

- The service has been determined as allowable and necessary for the federal award;
- The professional or consultant is not an employee of Harvard; **and**
- The expenses are reasonable in relation to the services rendered (i.e., the service cannot be performed more economically by direct employment).

All Harvard employees must be budgeted as salary and cannot be classified as consultants, advisors or vendors. Payments to individual consultants must follow the Harvard [Independent Contractor Classification Policy](#).

Retainer fees for professional services must be supported by evidence of bona fide services available or rendered. Any professional service costs related to defense and prosecution in criminal and civil proceedings are unallowable.

Costs for PEO (Professional Employment Organization) fees are discussed in the [Compensation section](#) of this guide.

### **Recruiting Costs (including Short-Term Visas)**

2 CFR §200.463

**Recruiting costs** are expenses associated with the hiring of staff and are not normally allowed as direct charges.

When the hiring of an individual is essential to achieving the objectives of the project, recruiting costs for all potential candidates can be directly charged. In this circumstance, the following costs may be allowed as direct charges:

- The expense of employee recruitment directly related to the project
- Travel expenses of applicants for interviews
- Relocation expenses of new employees (see [Relocation Costs of Employees](#))

Please see the [Harvard Travel Policy](#), including Appendix G, for additional information.

Recruiting costs **not** allowed as a direct expense include:

- Special payments
- Gifts
- Fringe benefits
- Salary allowances incurred to attract professional personnel that do not meet the test of reasonableness

Additionally, if recruitment costs were charged directly to a federal award, but the newly hired employee resigns within 12 months after hire, Harvard must refund or credit the federal share of those recruitment expenses.

Tax Implications for Recruitment Expenses:

Before an offer is accepted, recruitment expenses such as airfare, hotel, and meals incurred during the recruitment process is not taxable to the prospective employee. A detailed accounting of all recruiting expenses is required.

After an offer is accepted, pre-move house-hunting expenses incurred by the employee and family are considered taxable/reportable income.

### *Short-Term Visas for Recruiting*

2 CFR §200.463

In certain justifiable circumstances and only when associated with recruiting, short-term travel visa expenses may be charged as a direct expense on an award. Short-term visas differ from longer-term immigration visas in that they are issued for a specific period and purpose and, therefore, can be clearly associated with personnel recruitment on a federal award. For the expenditure to be directly charged to a federal award, the individual applying for the visa must be **both**:

- critical and necessary for the performance of the project; **and**
- working on the project funding the visa expense when they are hired.

Additionally, if incurred visa costs have been directly charged to a federal award, but the newly hired employee resigns within 12 months of hire, Harvard must refund or credit the federal share of the visa expenses.

### **Relocation Costs of Employees**

2 CFR §200.464

Relocation costs are allowable as direct expenses if there is a permanent change of assignment of an existing employee or upon recruitment of a new employee. If the employee's relocation directly benefits and is essential to the project(s), then the costs can be charged as direct expenses to the award(s).

Considerations when evaluating the allowability of relocation expenses include the following:

- The work performed will directly benefit the objectives of the award
- Reimbursement to the employee is in accordance with Harvard policies
- The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses



- International travel related to relocation on federally funded projects must adhere to the Fly America Act

The following costs related to relocation are unallowable:

- Fees and other costs associated with acquiring a new home.
- A loss on the sale of a former home.
- Continuing mortgage principal and interest payments on a home being sold.
- Income taxes paid by an employee related to reimbursed relocation costs.

Additionally, if relocation costs were charged directly to a federal award, but the newly hired employee resigns within 12 months of hire, Harvard must refund or credit the federal share of those recruitment expenses.

See the University Office of the Controller guidelines on [Moving and Related Expenses](#) and [Moving, Recruiting and Related Expenses](#) for more information.

### **Specialized Service Facilities**

2 CFR §200.468

Academic Service Centers (ASC) are units within Harvard academic tubs, departments, or centers that charge for goods or services that directly support the research or academic mission of the University and recover costs through charges to internal and external users. They should be established and operated according to Harvard's [Academic Service Center Policy](#).

Academic service center fees are allowable as a direct charge on a federal award when **all** the following criteria are met:

- The service center charges are based on actual usage;
- The service provided is directly applicable to the award;
- The charge is based on an established rate schedule or methodology that does not discriminate between activities on federal awards and is designed to recover only the aggregate costs of the services; **and**
- The charge is compliant with the [Academic Service Center Policy](#).

## **Taxes**

2 CFR §200.470

In certain instances, taxes, including sales and meals taxes Value Added Taxes (VAT), are legally required and associated with expenditures on federal awards. These taxes can be charged as direct expenses on the associated federal awards. When a refund can be obtained, due to exemptions, the original expense should not be charged to a federal award. Refer to the [Harvard Tax Exemption Guidance for Purchases and Travel](#) and the link to obtain [copies of the University tax exemption forms](#).

## **Travel and Related Expenses**

2 CFR §200.475

All individuals incurring travel expenses on behalf of the University and all travel reimbursements processed for expenses incurred conducting University business must comply with the [Harvard University Travel Policy](#). Travel expenses to federal awards and cost share funds also must follow additional guidelines noted in [University Travel Policy Appendix G](#) as well as funding agency requirements, whichever imposes the greater restriction(s).

See the [University Travel Policy Appendix G](#) for “Requirements for Travel Expenses Charged to Federal Awards or Cost-Share Funds”

## **Tuition (2 CFR 200.466)**

### *Tuition Remission (object code 6430)*

The portion of a graduate student’s tuition and fees charged to sponsored research awards as part of their compensation package for performing necessary work on the research project.

Tuition remission is related to graduate student salary (object code 6140) and therefore is subject to effort reporting. The allocation of tuition payments must be no more than the salary distribution of relevant work effort on the research award.

### *Tuition Support (object code 6430)*

A scholarship payment made to an individual who has a stipendee status (object codes 6440, 6450, 6452, 6455) during a period of academic appointment. The tuition support is not compensation for services rendered. In general, it should only be charged to sponsored training grants and sponsored

fellowship awards when the primary purpose is to aid the individual in pursuit of personal studies or research.

For more information see the following resources:

- [Section VII: Special Considerations for Federal Training Grants](#)
- [Tuition Policy](#)
- [Stipends on Sponsored Awards](#)

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## **VI. Prior Written Approval (Prior Approval) 2 CFR §200.407**

2 CFR §200.407

Under any given Federal award, the reasonableness and allocability of certain cost items may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, Harvard may seek the prior written approval of the awarding agency in advance of the incurrence of special or unusual costs. Please coordinate with the submitting office on prior approval requests (OSP or ORA). Prior approval requests must be submitted by a Harvard authorized business official to the sponsor. Prior written approval should reference the timeframe or scope of the agreement. The absence of prior written approval will not, in itself, affect the reasonableness or allocability of an expense, unless prior approval is explicitly required for allowability as described below.

Items requiring prior approval must be requested specifically and approved in the proposal budget or must be requested, in writing, before the expense is charged to the award. In most cases written approval from the program officer is not sufficient; refer to the terms and conditions of the award for information regarding who can authorize changes to the award budget.

Only those costs that meet the criteria for direct expenses on a federal award, per these guidelines, can be directly charged to an award under any circumstances.

Per the Uniform Guidance, prior written approval from the sponsor is explicitly required for:

- Change of key personnel (200.308 (c)(2))
- Change of scope (200.308 (c)(1))
- Cost sharing or matching (200.306)

- Effort reduction of key personnel of 25% or greater or PI disengagement from project of greater than 3 months (200.308 (c)(3))
- Equipment and other capital expenditures (200.313, 439)
- Exchange rates (200.440)
- Fines, penalties, damages and other settlements (200.441)
- Fixed amount subawards (200.333)
- Fund raising and investment management expenses (200.442)
- Goods or services for personal use (200.445)
- Memberships, subscriptions, and professional activity costs (200.454 (c))
- Organization costs (200.455)
- Revision of budget and program plans (200.308)
- Participant support costs (200.456)
- Rearrangement and reconversion expenses (Renovations) (200.462)
- Selling and marketing costs (200.467)
- Travel costs ((**200.475 (c)(2))**), request applies to travel costs for dependents
- Use of program income (200.307)

The following require either inclusion in the proposal budget **or** prior approval from the sponsor if not originally budgeted:

- Administrative expenses (200.413 (c))
- Entertainment costs (200.438)
- Subawards, any changes or transfers (200.308 (c)(6))
- Supplemental compensation for incidental activities (200.430 (h))

The following may require prior approval **or** be allowable under Expanded Authorities:

- Carry forward (200.308 (e)(3))
- No cost extension (200.308 (e)(2))
- Pre-award Expenses (200.458)

Specific categories are noted in section 2 CFR Part § 200.407 of the Uniform Guidance as requiring prior approval. When not specifically requested for, and awarded in the approved application, a written request and agency authorization is required before the expense can be charged to the award. Prior

approval requests must be submitted by a Harvard authorized business official to the sponsor. In most cases, written approval from the program officer is not sufficient; refer to the terms and conditions of the award for information regarding who can authorize changes to the award budget. Federal agencies have the authority to waive certain prior approval requirements. This waiver may be found in, as applicable, the Award itself, the Program Announcement, the Research Terms and Conditions, and/or the Federal Sponsor's terms and conditions.

Cases where prior written approval is required from most federal agencies are:

- Change of key personnel specified in the Federal award (200.308 (c)(2))
- Change of scope (200.308 (c)(1))
- Cost sharing or matching (200.306)
- Effort reduction of key personnel of 25% or greater or PI disengagement from project of greater than 3 months (200.308 (c)(3))
- Fines, penalties, damages and other settlements (200.441)
- Fixed amount subawards (200.333)
- Fund raising and investment management expenses (200.442)
- Equipment and other capital expenditures (200.313, 439)
- Goods or services for personal use (200.445)
- Organization costs (200.455)
- Participant support costs, any transfer of budget (200.308) and (200.456)
- Selling and marketing costs (200.467)

The following categories require prior written approval if not waived by the Federal Agency. Common federal funding agencies (NSF, NIH, DOE, USDA/NIFA, NASA, FDA, Commerce/NOAA) have jointly provided a Prior Approval Matrix that outline when those agencies waive this requirement for the below:

- Administrative expenses (200.413 (c))
- Entertainment costs (200.438)
- Subawards, any changes or transfers (200.308 (c)(6))
- Supplemental compensation for incidental activities (200.430 (h))
- Carry forward (200.308 (e)(3))

- No cost extension (200.308 (e)(2))
- Pre-award Expenses (200.458)
- Exchange rates (200.440)
- Memberships, subscriptions, and professional activity costs (200.454 (c))
- Rearrangement and reconversion expenses (Renovations) (200.462)
- Travel costs (200.475)
- Use of program income (200.307)

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## **VII. Special Considerations for Federal Training Grants**

Each year, NIH and other DHHS agencies award institutional research training grants to eligible institutions. The aim of the grant is to develop or enhance research training opportunities for individuals (predoctoral and postdoctoral) who are training for careers in specified areas of biomedical, behavioral, and clinical research.

NIH Training Grants generally include the following cost categories: Stipend, Tuition and fees, Training-Related Expenses and Trainee Travel Costs.

Tuition and fees are allowable trainee costs only if such charges are applied consistently to all individuals in a similar training status at the organization, without regard to their source of support. Tuition at the postdoctoral level is limited to that required for specific courses in support of the approved training program and requires prior agency approval.

Trainees are generally supported for 12-month full-time training appointments for which they receive a stipend as a subsistence allowance to help defray living expenses during the research training experience. Stipends must be paid in accordance with established stipend levels.

Trainee-related Expenses (TREs) are "funds provided to defray such training expenses as staff salaries, consultant expenses, equipment, research supplies, staff travel, trainee health insurance, and other expenses directly related to the training program." 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.

NIH may provide funds for Trainee Travel costs (to attend scientific meetings, etc.) when requested by the recipient institution.

## NIH Training Grant Specific Rules for Re-Budgeting of Funds

Funds may be re-budgeted only as follows:

- **Trainee-Related Expenses** – Re-budgeting of funds awarded in a lump sum for trainee-related expenses does not require prior agency approval.
- **Trainee Travel** – For re-budgeting purposes, trainee travel is not considered a trainee cost and, therefore, may be re-budgeted into any other budget category without prior approval of the NIH awarding Institute or Center.
- **Trainee Costs** – For re-budgeting purposes, trainee costs include funds awarded in the stipends or tuition/fees budget categories. These costs may not be used for other purposes except under unusual circumstances and then only with the prior approval of the NIH awarding Institute or Center. Unless otherwise restricted, re-budgeting into or within the stipends and tuition/fees is allowable without prior approval of the NIH awarding Institute or Center.

Unlike participant support costs, which do not take indirect costs, stipends on NIH training grants can take 8% indirect costs. Tuition and fees cannot take indirect costs. The unspent stipend plus the 8% indirect costs can be re-budgeted into the tuition category, but it cannot be re-budgeted into TRE.

For more guidance on NIH training grants and re-budgeting funds, please see [NIH Research Training FAQs](#) on NIH website.

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

- Consultant expenses, 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 that may be charged to training grants and fellowships, as defined by the NIH, include:**

*Table 1: Trainee-related expenses*

<b>Type of Costs</b>	<b>Allowable or Unallowable</b>	<b>Considerations</b>
Honorarium	Allowable	Speaker for seminar for trainees
Administrative Salaries	Allowable	May be allocated to help defray such expenses as staff salaries (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, this may be allocated
Business Cards	Unallowable	Would not benefit research or training directly
Computers	Allowable	A computer under \$5,000, and was purchased for the trainee's use
Visa	Unallowable*	*May be allocated only on Fogarty Training Grants
Food (e.g., pizza or soda)	Unallowable	General food expenses for internal meetings are unallowable. Described in this manner, these would be considered entertainment expenses and as such are unallowable
Moving expenses	Unallowable	Project funds may not be used for a prospective trainee's travel expenses for the purpose of recruitment or relocation
Health Insurance	Allowable	Health insurance is allowable for individual and their dependents
Advertising	Allowable	Recruitment expenses may be allocated



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## VIII: Related Harvard Policies, Guidance, and Other Resources

- [Sponsored Policies – OSP](#)
- [Academic Policies – Office of the Vice Provost for Research \(OVPR\)](#)
- [Financial Policies – Office of the Controller \(OC\)](#)
- [OVPR Faculty Disclosures](#)
- [Record Retention Guidelines – University General Records Schedule](#)

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## Revisions

- November 2015
  - Updated both the Alcoholic Beverages and Travel and Related Expenses section to include clarification regarding missing receipts
  - Revised the Memberships, Dues and Professional Activity Expenses section to include the revised wording
  - Updated the Travel Section to include the clarification on business class and economy upgrade airfares
  - Additional information added to Appendix A regarding information on training grants
- December 2015
  - Delay implementation date to March 1, 2016
  - Change Prior Approval section to indicate that approval is required for effort reductions of 25% or greater
- March 2016
  - Updated the Airline Incidentals section to clarify and add wording on the second bullet regarding fees that are generally eligible vs. ineligible
- December 2017
  - Updated alcoholic beverages, travel and related expenses, and local business meals sections to allow travelers to attest to no alcohol using Concur
- October 2019
  - Updated Travel and Related Expenses and Air Travel sections
  - Clarified in Section I Key Cost Principles that the guidance applies to cost share/companion accounts
- November 2020

- Updated Participant Support Costs section
- June 2021
  - Updated Uniform Guidance references
  - Removed Travel detail from guidance and link to University Travel Policy
  - Completed review of the guidance and revisions as needed to align with Uniform Guidance and Harvard policies and guidance
  - All links and references checked and updated as needed
- January 2022
  - Significant changes to the layout and format of the guidance
  - Removal of appendices
  - Additional clarity and inclusion of more sections to help provide additional guidance
  - Sections that are currently under revision or review are noted
- March 2022
  - Updated the Medical and Family Leaves section to link to “Guidance on Charging Approved Family and Medical Leaves to Sponsored Awards”