

**Harvard Pilgrim Health Care, Inc.**  
**Harvard Pilgrim Health Care Institute, LLC**  
*Office of Sponsored Programs*

**Policy and Procedure**

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**TITLE: Expenditure of Costs on Federal and non-Federal Awards**

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**PURPOSE:**

This document provides guidance on the appropriate budgeting and expenditure of sponsored funds, whether from Federal or non-Federal sources and whether directed toward research, training or other purposes.

**PERSONS AFFECTED:**

This policy & procedure (P/P) applies to all Harvard Pilgrim Health Care, Inc. (HPHC) and Harvard Pilgrim Care Institute, LLC (HPHCI) (collectively, HPHC/I) personnel engaged in research, teaching or research administration activities in support of the charitable and educational mission of HPHC, Inc.

**GUIDANCE:**

**Direct Costs**

An expense is a “direct cost” if that expense can be identified specifically with a particular sponsored project or other activity with a high degree of accuracy.

Any costs charged directly to an award must be:

**Allowable** under both the provisions of Federal guidance AND the terms of a specific award.

**Allocable:** the expense can be associated to a project with a high degree of accuracy.

**Reasonable:** the cost reflects what a “prudent person” would pay in a similar circumstance.

**Consistent:** costs are charged as direct expense (versus an indirect cost).

**Indirect costs**

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, etc.). F&A costs are recovered through the Federally negotiated rate.

The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. 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.

### **Direct and Indirect Costs on Non-Federal Awards**

Direct and indirect costs 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 may be appropriate to direct charge costs that normally would not be direct charged to a Federal award that pays the full indirect rate.

Please consult with OSP for clarification of any direct and indirect costs.

### **POLICY:**

HPHC/I treats all awards consistently barring any sponsor or grant restrictions and complies with OMB 2 CFR 200 (Uniform Guidance) for Federal awards. The UG became effective December 26, 2014 and most awards issued before that date must comply with OMB Circular A122 (unless the agency has notified HPHC of adoption of the new guidelines).

Costs incurred for the same purpose in like circumstances will be treated consistently as either direct expenses or indirect costs.

### **PROCEDURE:**

The HPHC Office of Sponsored Programs (OSP) has post-award administrative oversight for all sponsored research and teaching programs, including all aspects of financial administration. OSP should be consulted, in advance, concerning sponsored program financial administration issues, continuation applications for funding, and the submission of all financial and technical reports to the sponsor. The post-award stewardship of Federal funds is of great importance to HPHC as a grantee organization. If inappropriate financial transactions are identified during an audit, Federal auditors may impose large financial penalties on the grantee organization.

### **Documentation and Justification for Expenditures**

Documentation is required to justify any expense charged to a sponsored award should be adequate to support and justify that:

- (1) The expense provides a direct benefit to the award; (2)The expense complies with any award restrictions and approval requirements outlined in the terms and conditions of the award

Documentation and justification must be maintained according to the HPHC/HPHCI Research Document and Destruction.

**REVISION HISTORY:**

<b>Department:</b> OSP	<b>Title:</b> Policy & Procedure: Direct Costs
<b>Effective Date:</b> May 1, 2020	<b>Owner:</b> Director, Office of Sponsored Programs
<b>Replaces P/P Dated:</b> April 20, 2016,	
<b>Related Documents:</b>	
<b>References:</b> Uniform Guidance § C.F.R. 200; §2 C.F.R. 200.402, 403, 404, 405; §2 C.F.R. 200.413; 78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014	
<b>Approved By:</b> Director, Office of Sponsored Programs	