Direct Charge of Computers Costing Less than $5,000 on Federally Sponsored Research Projects

I. Fundamentals:

1) General purpose equipment, including computers/laptops, is normally considered to be a Facilities and Administrative (F&A) cost since it may support multiple missions simultaneously (e.g. research and instruction).
   a) Detailed guidance for Computer/Laptop purchases on federal grants is conveyed in the Direct Costing GAP (200.320).
   b) Additional guidance: OMB Circular A-21 prescribes that administrative costs, including general purpose expenditures such as personal computers and laptops, are “normally” treated as F&A costs because they typically represent costs “that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.” {OMB Circular A-21 at E.1} OMB A-21 continues on to state that these types of costs “shall be treated as direct cost wherever identifiable to a particular cost objective”.

2) In all cases, purchases must conform to the requirements of allowability as described in OMB Circular A-21, in that the cost must be:
   a) Reasonable and necessary;
   b) Allocable;
   c) Consistently treated in like circumstances; and
   d) Conform to other requirements of A-21 and sponsor terms and conditions.

Note: the NIH Grants Policy Statement states, “These four tests apply regardless of whether the particular category of costs is one specified in the cost principles or one governed by other terms and conditions of an award… The fact that a proposed cost is awarded as requested by an applicant does not indicate a determination of allowability.”

3) Documentation is extremely important and is required to justify the allowability of the charge. This documentation should include support for how the cost will be directly assigned relatively easily and with a high degree of accuracy. The fact that a proposed cost is awarded as requested by an applicant does not indicate a determination of allowability. The Principal Investigator is ultimately responsible for the charges made to the grant.

4) These expenditures will be periodically monitored for allowability.
5) Information related to capital equipment purchases (>\$5,000) is available at:
http://www.finsvc.duke.edu/gap/m200-100.php

II. Clarification:

1) **Allowability:** Computers may be an allowable charge to a federal grant under two general scenarios:
   
   a) The computers/laptops are functioning as or in direct support of specialized scientific equipment
      
      i. Requires that the following criteria be utilized as a guide to allowability (not all required):
         
         i. Computer is actually connected to scientific equipment or used in lab/field research
         ii. Computer is not used, or rarely used, for any non-project purpose
   
   b) The computer is specifically identifiable to a grant as an “unlike circumstance”; this requires similar documentation to other administrative costs such as office supplies and local telephone service. (see Direct Costing GAP (200.320))
      
      a. An unlike circumstance occurs when the item being charged is used in a way that is directly related and specifically identifiable to the project, but its use is unlike the common use of the item in conducting normal university business.

2) **Allocability:**
   
   a) Split funding between sponsored project and institutional funds. If a computer is direct charged to a project and is also used other than incidentally for general administrative purposes, some sharing of the cost is required. *(Note: This is done to the advantage of the federal government as it has the effect of reducing both the direct and indirect cost to the grant).*
      
      a. Caution is required and documentation is extremely important.
      
      b. An allocation methodology should be developed at time of proposal, disclosed in the submission, and adjusted during the life of the award if it differs significantly from the initial allocation; particularly if it could be construed that the project is being harmed. Disclosure should include justification for unlike circumstance and allocation methodology. If the need for this item is not known at time of proposal, appropriate documentation requirements, as identified in University procedures, must be met to ensure allowability.
      
   b) Shared scientific use: A computer can be allocated between 2 or more research grants. Adequate documentation should exist that supports the allocation methodology.

3) **Incidental Use:** If a computer is 100% funded from a federal sponsor, the computer should not be used for non-project purposes on more than an incidental basis. Criteria for consideration include: (not all encompassing, nor are all required):
   
   a) Incidental use never interferes with project use
   
   b) Incidental use is solely for convenience (e.g., doing a quick e-mail check, to save a trip back to the office; preparing a short occasional Microsoft Word document)
   
   c) Incidental use itself would not have justified purchase of the laptop
   
   d) Incidental use never requires removing the laptop from the project location
   
   e) Incidental use does not exceed a de minimis amount
Generally non-project files or data are not stored on the computer.

III. Sponsor Guidance:

1) Specific guidance varies significantly by sponsor: Some federal agencies have provided language that may further restrict the allowability of computers. Below are examples of language from several agencies that fund research at Duke; this is not a comprehensive list and in all cases, specific agency terms and conditions apply.

   a) NIH Grants Policy Statement: Direct Costs and Facilities and Administrative Costs - “Project costs consist of the allowable direct costs directly related to the performance of the grant plus the allocable portion of the allowable F&A costs of the organization, less applicable credits (as described below and in the cost principles). A direct cost is any cost that can be specifically identified with a particular project, program, or activity or that can be directly assigned to such activities relatively easily and with a high degree of accuracy. Direct costs include, but are not limited to, salaries, travel, equipment, and supplies directly benefiting the grant-supported project or activity.

   b) NSF Proposal and Award Policies and Procedures Guide: “General Purpose Equipment: Expenditures for general-purpose equipment are unallowable unless the equipment is primarily or exclusively used in the actual conduct of the research.

   c) NASA Guidebook for Proposers: “General-purpose equipment (i.e., personal computers and/or commercial software) is not allowable as a direct cost unless specifically approved by the NASA Award Officer…”

Questions should be referred to the appropriate Pre-award Office or the Office of Sponsored Programs.

Note: This guidance is administrative in nature and is not a cost reimbursement policy. Failure to comply may or may not result in adjustments of charges to the award. Any adjustments of charges will be as required under applicable federal cost reimbursement principles. If a cost is removed from an award for any reason, whether or not related to this guidance, the cost will generally be charged to departmental funds.

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