CLASSIFICATION OF COST ITEMS

The following outlines the specified costs as allowable or unallowable to a sponsored project and whether the allowable cost is a direct or indirect (F&A) cost as indicated in the Office of Management and Budget Uniform Guidance and/or the University policies.

1. Administrative Costs. (See: Clerical and/or Administrative Costs)

2. Advertising. The term advertising costs includes the cost of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television programs, direct mail, exhibits, electronic or computer transmissions, and the similar forms of communication.

Advertising costs that are allowable as direct costs are those incurred for the following activities:

- Recruitment of staff required for the performance of the federal project. Please note that all advertisements regarding recruitment must have prior approval of your department’s Talent Acquisition Team Member.
- Procurement of goods and services required for the performance of the federal sponsored project.
- Disposition of scrap or surplus materials purchased with federal funds for a federal project except when reimbursed for disposal costs at a predetermined amount.
- Other purposes required to meet the specific needs of the federal sponsored project.

G/L account 524030 Advertising/Staff Recruitment has been established to record the allowable activities listed above. Other advertising costs are considered publicity and should be charged to G/L account 524025 Publicity.

3. Advisory Councils. Costs for advisory councils or committees are allowable as direct costs when authorized by statute, the awarding agency or as an indirect (F&A) cost where allocable to sponsored agreements.

4. Alcoholic Beverages. Any costs incurred for alcoholic beverages are unallowable.

5. Alteration and Renovation. (See: Rearrangement and Alteration Costs)

6. Alumni Activities. Costs incurred for, or in support of, alumni activities and similar services are unallowable as either direct or indirect costs.

Schools and departments are encouraged to establish separate accounts to capture all costs associated with alumni activities including travel, supplies and expenses, and any salary and wage costs.

In lieu of separate accounts, G/L account 545010 Alumni Activities has been established and may be used to identify alumni activity supply costs.

7. Audit and Related Services. The cost of an audit required by the project and specifically approved by the awarding agency are allowable as a direct cost to the federal project.
8. **Bad Debts.** Losses arising from uncollectible accounts and other claims, related collection costs and related legal costs, are unallowable as either direct or indirect costs. These costs should be posted to the general ledger using G/L account 543015 *Bad Debt Expense*.

9. **Bonding.** Costs required to assure against financial loss and costs required pursuant to the terms and conditions of the Federal award are allowable. These costs include bid, performance, advanced payment, infringement, and fidelity bonds. These bond costs should be incurred in accordance with sound business practices and be reasonable rates and premiums under the circumstances.

10. **Books.** Books constitute a direct charge if they will be used continuously on the sponsored project, are to be physically located within the area of the research, and are not otherwise readily available through the University Library. Books purchased as a direct charge to a sponsored account are designated through the use of G/L account 536020 *Minor Equipment-Books and Publications*. Other books purchased and available through the University library system are allowable indirect charges to sponsored agreements. These books are accounted for through the use of G/L Account 537005 *Books Catalogued by Library*.

11. **Building Costs.** Capitalized building costs are considered allowable indirect costs and are never allowable as a direct cost unless specifically provided in the sponsored agreement.

12. **Clerical and/or Administrative Costs.** Clerical and administrative costs are normally considered facilities and administrative (indirect) costs. They may be charged directly to federal sponsored projects when there are integral to a project or activity; individuals involved can be specifically identified with the project or activity; such costs are explicitly included in the budget or have a prior written approval of the Federal awarding agency; and the costs are not also recovered as indirect costs.

   Some federal programs do not require a detailed budget as part of the proposal process, such as modular grants awarded by the National Institute of Health (NIH). As with any other federal sponsored project, the guidance provided above must be followed, including prior approval in order to directly charge clerical or administrative costs to that project.

   Clerical and administrative costs can be directly charged to non-federal projects, including state, industrial, foundation and voluntary support projects when the expense benefits the project. Projects awarded by the state with federal flow through funds must follow the guidance provided on federal projects (see above) for these costs to be directly charged to the project.

13. **Commencement and Convocation.** Commencement and convocation costs in accounts other than Student Administration and Student Services are unallowable as direct charges to sponsored projects. In academic departments, costs for gown rental, printed material specifically for commencement, costs associated with honors banquets and award ceremonies, are examples of commencement and convocation costs. (Also see: Student Services Costs)

14. **Communications.** Electronic device monthly allowance payments are allowable indirect costs. Voice and Data Services, including domestic long distance costs can be directly charged to a sponsored project, if such costs are allowable and the allocation method is relatively easy with a high degree of accuracy. International long distance telephone tolls made for the direct benefit of sponsored projects are allowable direct costs.
15. **Community Relations.** (See: Public Relations Costs)

16. **Computer Costs.** The procurement of computing services, such as High Performance Computing costs, consultation, and charges for database searches, is an allowable direct cost whenever identifiable with a particular project.

17. **Computing Devices.** General purpose computing devices are also an allowable direct cost if the acquisition cost is less than $5,000 if it is:

- Essential for the purpose of carrying out a specific aim of the funded project
- It is above and beyond what is normally provided by the department for academic use, and
- It is charged to the grant in some reasonable projection related to how much it is used for the funded project.

*Please refer to the [Quick Reference Sheet](https://example.com) when purchasing computing devices.*

Costs for providing the general computing environment (such as data networking costs of the Purdue Data Network) are not identifiable with a particular project and are therefore allowable indirect costs.

18. **Conference Arrangements.** A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the University and is necessary and reasonable for successful performance under the Federal award. Conference costs paid by the University as a sponsor or host of the conference may include rental of facilities, speakers' fees, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. Costs of meals and refreshments are typically unallowable on a Federal award unless they are authorized either in the approved budget or with prior written approval of the Federal awarding agency. In addition, overload payments are not allowable on a Federal award. Conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award. (Also see: Participant Support Costs)

19. **Consulting Fees – Personal Services.** Consulting fees are fees for services rendered and are allowable direct costs when the cost is reasonable in relation to the services provided. Some sponsors may require prior written approval and may set maximum daily rates for fees.

Consulting fees should not be paid to employees of the University except in extremely extenuating circumstances. All such arrangements must be in accordance with University policies and approved by the sponsor.

Federal employees may not be paid consulting fees if the source of the consulting fees is also a federal supported project. Per Diem, transportation, or other related expenses shall not be paid to federal employees if their employing agency has or will reimburse them for said expenses.
A formal written agreement between the consultant and the University may be required in certain circumstances. Business procedures related to personal service payments can be found at the following web address:  
www.purdue.edu/taxes/Consultant_Payments/Welcome.html

20. **Contingency Reserves.** Contributions to a contingency reserve for events, the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable, except for self-insurance reserves for University self-insurance programs. A "contribution" in this context refers to a posted financial transaction such as a non-mandatory transfer from one fund to another. This restriction does not apply to the common practice of setting aside a general fund budget for contingencies.

Excessive fund balances that accumulate in recharge centers are also considered contingency reserves. Recharge rates may not be inflated in excess of actual cost to build fund balances for future purchases. See the University’s service center policy and procedures for additional information at the following web address:  
https://www.purdue.edu/business/mas/BPM/Recharge_Center/index.html

21. **Customs and Import Duties.** Customs and import duties are allowable direct costs. The cost of the duty fee will be included as part of the cost of the goods received.

22. **Decorations.** Although the Uniform Guidance does not specifically address this cost, they have been disallowed during audits at other institutions and have been the source of embarrassing headlines for those universities. These costs, including the costs of decorative plants and flowers, are generally not allowable on University funds. However, G/L account 546325 Decorations has been established for decorations should an allowable general fund cost require special coding to ensure that it is not included in the indirect cost rate.

23. **Demurrage.** Demurrage is an allowable direct cost.

24. **Department Administration.** The portion of the academic department costs incurred for administrative and supporting services that benefit common or joint departmental activities are allowable indirect costs. Departmental administration costs may be incurred at the dean’s level, in academic departments, or in organized research institutes, study centers, research centers, or large research laboratories. Costs defined elsewhere in this document as normal indirect costs may be included in the departmental administration cost pool in addition to the costs claimed for the administration of academic units.

25. **Departmental Machine Shops.** (See: Service Center Charges)

26. **Deposits.** Refundable deposits are not allowed on sponsored accounts. A deposit represents a transfer of funds from one party to another as security against a future event(s), the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of the event’s happening. In this regard, a refundable deposit may be considered a contribution to a contingency reserve and is expressly unallowable under the Uniform Guidance. The parent department is responsible for deposit payments, and must separately identify the payment to ensure it is not included as an indirect cost.
27. **Donations and Contributions.** Donations and contributions including cash, property and services from the institution are unallowable.

28. **Dues.** (See: Memberships)

29. **Duplicating Services.** (See: Service Center Charges)

30. **Employee Health and Welfare.** The costs of employee information publications, wellness programs, recognition programs, and other similar program expenses established by the university for employees are allowable indirect costs.

31. **Entertainment.** Costs of entertainment, including amusement, diversion and social activities, and any costs directly associated with those costs (i.e., tickets to shows or sports events, meals, lodging, rentals, transportation and gratuities) are unallowable on federal projects, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency. These costs, if incurred on University funds, should be posted to G/L account 533610 *Entertainment.* For events that meet the university’s hospitality guidelines, use the hospitality G/L accounts: 533615 *Hospitality Food Service* and 546435 *Hospitality.*

32. **Equipment.** Equipment is defined as a purchased item costing $5,000 or more with a useful life of more than one year. This definition may change over time and the definition included in the University’s capitalization policy will prevail. The purchase of office equipment, furniture and other general purpose equipment is usually unallowable as a direct cost. Special purpose equipment or equipment leases are only allowable on sponsored projects with prior approval, whether in the proposal or requested subsequent to the award to the University. The process to obtain approval varies by sponsor. Once the approval is obtained, then the equipment is allowable direct cost to the sponsored project. Equipment must be utilized on the project for which it was purchased and should be received sufficiently in advance of the project’s termination to demonstrate benefit to the project.

   Additional information can be obtained by contacting Sponsored Programs Services.

33. **Executive Lobbying.** (See: Lobbying)

34. **Fabricated Equipment.** Costs associated with the construction of equipment should be recorded in the accounting records in accordance with instructions provided in the [Fabricated Equipment Business@Purdue process.](#)

   These costs include blueprints, drawings, component parts, materials, supplies, and labor associated with the construction and installation of the equipment. Those items that individually meet the definition of equipment are exempt from indirect costs. Non-capital items, such as labor and materials, will be charged indirect costs in accordance with University policy. Sponsored program budgets must be developed appropriately.

35. **Federal Employees.** Salaries of employees of the Federal Government, including those in leave without pay status, are unallowable charges to federal sponsored projects without specific prior written approval of the employing agency.
36. **Fellowships** (See: Scholarships and Student Aid)

37. **Fines and Penalties.** Uniform Guidance states: "Costs resulting from the violations of, alleged violations of, or failure to comply with Federal, State, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with prior written approval of the Federal awarding agency."

38. **Freight.** (See: Materials)

39. **Fringe Benefits.** Fringe benefits are defined as employer payments for Social Security, Medicare/Medicaid, Retirement, Group Life Insurance, Short Term Disability, Long Term Disability, Medical Insurance and Staff Fee Remissions. These are allowable direct costs. The charge rates are determined annually based on costs incurred. A separate charge for each of the above categories is applied to the gross salary of all classes of employees who are covered by these benefits except for Medical Insurance, which is charged as a flat rate for each eligible employee. The charge for the above items is estimated for sponsored program budgeting purposes as part of the composite fringe benefit rate.

Fringe benefits are also defined as regular compensation paid to employees during periods of authorized absences from the job. These benefits include paid time off (PTO), vacation, holiday, sick, and military leaves. Paid time off (PTO), vacation, holiday, military leave and sick leave are allowable direct costs that should be prorated on the basis of the projects or accounts the individual is working on at the time the leave is taken. (Also see: Severance Pay)

40. **Fund Raising.** Costs of organized fund raising, including capital campaigns, endowment drives, solicitations of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, are unallowable.

41. **Gains and Losses on Depreciable Assets.** Gains and losses on the sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to the asset group of the item. The amount of the gain or loss to be included is the difference between the amount realized on the property and the undepreciated basis of the property.

For additional information on the treatment of gains or losses, see the capitalization policy or property accounting procedures at the following website:

http://www.purdue.edu/business/mas/property/Policy.html

42. **General and Administrative Expenses.** These costs include the services rendered by the President’s Office, Office of the Treasurer, Comptroller, Accounting, Payroll, Procurement Services, etc. The portion of these costs allocable to sponsored projects is an allowable indirect cost.

43. **Goods or Services for Personal Use.** Any costs incurred for personal use are unallowable regardless of whether the cost is reported as taxable income to the employee(s). These types of costs are not allowable on University controlled funds.
44. **Honoraria.** Payments of honoraria when the primary intent is to confer distinction on or symbolize respect, esteem or admiration for the recipient are not allowable. Fees for services rendered are considered consulting fees. (Also see: consulting fees)

45. **Hospitality.** Hospitality expenses are defined as the provision of food, beverages, activities, or events for the purpose of promoting and furthering the mission of the University. Hospitality expenses are typically unallowable on a Federal award unless they are authorized either in the approved budget or with prior written approval of the Federal awarding agency. These costs on sponsored funds, if approved, should be posted to the hospitality G/L accounts: 533615 Hospitality Food Service. (Also see: Entertainment)

46. **Independent Contractors.** Charges for individuals not employed by the University are allowable for services performed of benefit to the University. (Also see: Consulting Fees)

47. **Insurance.** Equipment owned by the federal government may not be insured at sponsor expense, either as a direct or indirect cost, except to the extent that the Federal awarding agency has specifically required or approved such costs.

A standard policy insuring persons traveling on University business is carried as an allowable indirect cost. No additional charge may be made for such insurance.

General liability insurance and worker’s compensation insurance maintained by the University is an allowable direct cost. Property insurance maintained by the University covering buildings and contents is an allowable indirect cost.

When research involves highly dangerous activity, the cost of extra hazardous and/or malpractice insurance is an allowable direct cost, if approved by the federal sponsor.

48. **Intellectual Property.** Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, are allowable if necessary for the proper performance of the sponsored project unless:

- The federal government has a license or the right to free use of the patent or copyright.
- The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.
- The patent or copyright is considered to be unenforceable.
- The patent or copyright is expired.

49. **Interest Expense.** Interest expenses on borrowed capital or temporary use of endowment funds are unallowable. The cost of interest paid to a third party is allowable if approved in advance by the federal government under the following circumstances:

- Interest expense or capitalized interest costs are managed in accordance with GAAP.
- The asset is used in support of sponsored agreements;
- The total cost of the asset does not exceed the rental costs of assets in the same locality;
- The interest costs are incurred after September 23, 1982 in conjunction with the acquisitions of capital assets that occurred after that date;
• Earnings generated by the investments of borrowed funds pending their disbursement for the asset costs are used to offset the current period’s allowable interest cost.

*Interest expense is charged to G/L account 567010.*

50. **Investment Costs.** Costs of investment counsel and staff or similar expenses incurred to enhance income from investments are unallowable as a direct cost. Costs related to the physical custody and control of monies and securities are allowable as indirect costs.

51. **Labor Relations Costs.** Costs incurred in maintaining satisfactory relations between the institution and its employees including cost of labor management committees, employee’s publications and other related activities are allowable indirect costs.

52. **Land.** The cost of land owned by the University or its affiliates is unallowable.

53. **Laundry.** This is allowable as a direct cost if it is directly attributable to a specific project. Protective laboratory clothing associated with a specific project may be laundered at the expense of that project.

54. **Library.** The cost of providing library services is an allowable indirect cost.

55. **Lobbying.** Costs incurred in an attempt to influence the introduction of legislation, or the outcome of such activity at the Federal, State or local level, or to participate in legislative liaison activities are unallowable. In addition costs of memberships in organizations whose primary purpose is lobbying are unallowable.

56. **Losses on Other Sponsored Agreements.** Any excess of costs over income under any other award or contract of any nature is unallowable. Amounts in over drafted conference or Continuing Education accounts cannot be transferred to an administrative account and subsequently included in the administrative portion of the indirect cost rate. Such costs should be charged to G/L account 533380 *Conference Arrangements* to ensure appropriate treatment in the indirect cost study.

57. **Maintenance and Repair of Buildings.** Maintenance and repairs to buildings are allowable indirect costs.

58. **Maintenance and Repair of Equipment.** Equipment repair and maintenance charges that can be identified specifically with the sponsored project or directly assigned to the project relatively easily with a high degree of accuracy are allowable direct charges.

59. **Materials and Supplies.** Costs incurred for materials, supplies and fabricated parts necessary to carry out a Federal award are allowable direct costs. Purchases made specifically for the sponsored project must be charged at their actual prices after deducting all cash discounts, trade discounts, rebates and allowances received by the institution.
• Withdrawals from General Stores or stock rooms must be charged at their actual net cost under any recognized method of pricing stores withdrawals, conforming to sound accounting practices consistently followed by the institution.
• Incoming transportation charges are a proper part of material cost.
• Credit should be given for all proceeds or value received for any scrap resulting from work under the sponsored project.
• Government-donated or furnished equipment used in performing the research will be used without charge to the Government.

Examples of typical material costs incurred as direct costs include:

• Laboratory & scientific supplies, such as gasses, chemicals, glassware, and lab animals
• Agriculture expenses
• Minor equipment not capitalized (scientific, computer, software)

Supplies and materials needed for administrative purposes by the University (i.e., General Administration, Departmental Administration) that provide service to sponsored projects are allowable indirect costs.

60. **Meals and Food Costs.** (See: Conference Arrangements and/or Entertainment)

61. **Meetings and Conferences.** (See: Conference Arrangements)

62. **Memberships.** Costs of institutional memberships in business, technical and professional organizations are allowable. In addition, costs of institutional subscriptions to business, professional and technical periodicals are allowable. Individual memberships under $500 with a business purpose benefiting the University and formal approval from the department head is allowable. However, in most cases, memberships are not allocable to individual projects and will be treated as indirect costs.

The costs of membership in any civic or community organization are allowable with prior approval by the Federal awarding agency.

Costs of memberships in country clubs, social or dining clubs are unallowable. In accordance with University policy, individual memberships over $500 are unallowable. Costs of memberships in organizations whose primary purpose is lobbying are unallowable.

[https://www.purdue.edu/business/account/BPM/Membership_Listing/dirpymt.html](https://www.purdue.edu/business/account/BPM/Membership_Listing/dirpymt.html)

63. **Military Leave.** (See: Fringe Benefits)

64. **Moving Allowance.** (See: Relocation Costs)

65. **Office Supplies and Expenses.** Items such as office supplies and postage costs must normally be treated as indirect (F&A) costs per the Uniform Guidance.

66. **Operation and Maintenance Expenses.** The costs incurred for the operation and maintenance of the physical plant (i.e., utilities, janitorial, telephone rental, police and fire protection, etc.) are allowable indirect costs.
67. **Overload and Extra Duty Payments.** Overload and Extra Duty payments are defined as payments to Purdue employees in addition to their normal salary for performance that is beyond the scope of their primary employment. This practice is most common in Continuing Education where faculty teach courses outside their departmental responsibilities.

Charges for work performed on sponsored agreements must be based on the individual’s regular compensation for the period, i.e., are allowable at the base rate of pay. In no event should charges be made to sponsored agreements in excess of the proportionate share of the individual’s base salary for the period. Federal guidelines stipulate that intra-university consulting is assumed to be undertaken as a university obligation requiring no extra compensation in addition to the full-time base salary. In the most unusual cases, exceptions to this guideline may be granted if specifically provided for in the sponsored agreement or if approved in writing in advance by the sponsor.

University [Policy C-18](#) for a detailed description of the procedures and policies as they relate to overload payments for Continuing Education activities, and Executive Memorandum C-40 for guidelines regarding approval of other overload and extra duty payments.

68. **Overtime Premium.** Overtime is an allowable direct cost for biweekly and monthly-paid non-exempt staff. It generally does not require prior approval from the sponsor. Overtime charges applicable to each project must be prorated on the basis of the regular effort expended during the reporting period.

69. **Participant Support Costs.** Participant Support Costs include stipends, subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants (not employees) in connection with conferences or training projects. These costs are allowable direct costs if explicitly included in the project budget or with the prior approval of the Federal awarding agency.

70. **Photocopies.** The costs of producing copies are allowable direct costs provided that there is a direct benefit to the project and the rates are charged in accordance with the University’s Recharge Center Policy and Procedures.

71. **Photographic Service.** (See: Service Unit Charges)

72. **Postage.** The [Uniform Guidance](#) defines that postage costs must normally be treated as indirect costs. Postage charges, *(See Office Supplies)* including Federal Express or UPS charges, directly incurred for the benefit of federal projects may be charged as direct charges when such costs can readily be identified with the items purchased.

73. **Pre-Agreement Costs.** Costs incurred prior to the effective date of the agreement are unallowable unless approved by the sponsoring agency or listed as allowable in their guidelines.

74. **Professional Services.** (See: Consulting Fees)
75. **Proposal Costs.** Original proposal costs are allowable indirect costs. The cost of continuation, renewal or supplemental proposals may generally be charged to the agreement currently in effect as a direct cost.

76. **Public Relations.** The term public relations includes community relations, which are activities dedicated to maintaining the image of the institution or maintaining and promoting understanding and favorable relations with the community or public-at-large or any segment of the public. The following type of public relations costs are allowable:

- Costs specifically required by sponsored agreements are allowable direct costs of those agreements.
- Costs of communicating with the public and press pertaining to specific activities or accomplishments resulting from sponsored agreements are allowable direct costs of those agreements.
- Public relations officers as required to the extent necessary to keep the public informed on matters of public concern such as notices of contract/grant awards and financial matters are allowable indirect costs.

Additional public relations costs are unallowable, including displays, demonstrations, exhibits, meeting rooms, hospitality suites and other special facilities used in conjunction with shows and other special events, costs of promotional items and memorabilia, including models, gifts, and souvenirs, and costs of advertising and public relations designed solely to promote the non-Federal entity.

Examples of unallowable costs include departmental newsletters and mailings to alumni, including salary and wages incurred to produce the newsletters and mailings. Unallowable costs should be identified in a separate account, or through the use of G/L account 546440 U/G Restricted Costs.

77. **Publication Costs.** Publication costs are allowable direct costs if the publication is related to the research agreement and if publication charges are consistently made, regardless of sponsorship. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-Federal entity.

Publication costs include the costs of printing (composition, plate-making, press work, binding, and the end products produced by printing processes), distribution, promotion, mailing, and general handling. Page charges and a reasonable number of reprints are allowable publication costs.

78. **Radioactive Material.** The cost of radioactive isotopes, including shipping charges, is an allowable direct charge. The cost of centralized services provided by Radiological and Environmental Management (REM), such as waste disposal, safety surveys, audits, and investigations, are allowable indirect costs.

79. **Rearrangement and Alteration Costs.** Rearrangement and alteration costs are defined as work required to change the interior or physical characteristics of an existing facility or installed equipment so that it may be more effectively utilized for its designated purpose or adapted to an alternative use for a specific program requirement. These costs are normally treated as an allowable indirect cost. However, rearrangements and alterations that do not constitute construction may be allowable
direct costs by certain sponsors when they are essential to the project and the space involved will actually be occupied by the project. (Also see: Reconversion Costs)

80. **Reconversion Costs.** Costs incurred in the restoration or rehabilitation of the institution’s facilities to approximately the same condition existing immediately prior to commencement of a sponsored agreement, fair wear and tear accepted, are allowable. The determination of whether said cost is allowable as a direct or indirect cost will be dependent upon the classification of the initial cost to make the facilities ready for the sponsored agreement. (Also see: Rearrangement and Alteration Costs)

81. **Recruiting Costs.** Advertising of positions and travel costs of employees recruiting specifically for a certain project and applicants for interviewing are allowable direct costs. (Also see: Advertising Costs)

82. **Relocation Costs.** Relocation costs are costs incident to the permanent change of duty assignment (for an infinite period or a stated period of not less than 12 months) of an existing employee or upon the recruitment of a new employee not to exceed the universities limit as stated in the University policy.

Provided that;

- The move is for the benefit of the employer,
- reimbursement to the employee is in accordance with the established University policy
- The reimbursement does not exceed the employee’s actual (or reasonably estimated) expenses.

When relocation costs incurred incident to the recruitment of new employees have been funded and the employee resigns for reasons within the employee’s control within 12 months after hire, the Federal government must be refunded for its share of the costs.

The following relocations costs 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 on a home being sold
- Income taxes paid by an employee related to reimbursed relocation costs.

83. **Rental of Equipment, Property or Space.** Rental costs are allowable to the extent that the rates are reasonable in light of such factors as comparable property, market conditions, alternatives available, and the type, life expectancy, condition, and value of the property leased. Rental agreements should be reviewed periodically to determine if circumstances have changed or other alternatives are available.

Rental costs under “less-than arm’s length” agreements are allowable up to the amount that would be allowed had the University owned the property; including depreciation, maintenance, taxes, and insurance. Less-than arm’s length agreements would include:
• Divisions of the University
• Entities under common control through common officers, directors, or members such as Purdue Research Foundation, Ross Aide Foundation, McClure Park, etc.
• University directors, trustees, officers, or key employees or an immediate family member, either directly or through corporations, trusts or similar arrangements which they hold a controlling interest.
• Family members include one party with any of the following relationships to another party:
  o Spouse, and parents
  o Children and spouses
  o Siblings, and souses
  o Grandparents and grandchildren, and spouses
  o Domestic partner and parents, including domestic partners of any individual listed above.

Rental of equipment from General Stores and similar service units that charge established consistent, nondiscriminatory rates is allowable. Rentals from outside suppliers are allowable if justified. Space rentals and large equipment rentals must receive advance sponsor approval.

84. Repairs to Equipment. (See: Maintenance and Repair of Equipment)

85. Report Preparation. The cost of preparation of interim and final technical reports is an allowable direct cost. (Also see: Thesis Preparation Cost)

86. Reprints. (See: Publications)

87. Research Machine Shop. (See: Service Center Charges)

88. Royalty and Use of Patents. (See: Intellectual Property)

89. Sabbatical Leave. Sabbatical leave salaries are allowable indirect costs and may not be directly charged to a sponsored project. The only exception would be in the case of a staff member who is working full-time on a federally sponsored project and is showing his sabbatical leave pay as the cost-sharing portion of the work.

90. Salaries and Wages. Costs incurred for salaries, wages and associated fringe benefits in furtherance of a sponsored project are allowable direct costs. No increment may be paid beyond the established University rate. Salaries of federal employees are not chargeable to federal projects.

The Uniform Guidance requires the University to maintain internal controls to ensure reasonable assurance that transactions are properly recorded and accounted for. Purdue University uses an after-the-fact effort reporting system to maintain its internal control. Faculty and professional effort is certified in accordance with University guidelines provided in the Effort Reporting Policy (II.C.1) http://www.purdue.edu/policies/business-finance/iic1.html. Hourly labor is reported and certified on the biweekly or monthly timecard. The timecard (also called a Personnel Activity Report) validates both the time worked as well as the account distribution of the effort.
Please note: If an hourly employee records their time using the Kronos system for payroll and are paid on a sponsored program, they must also complete a time card (Personnel Activity Report) to certify both the time worked as well as the account distribution of the effort.

91. **Scholarships and Student Aid Costs.** Costs of scholarships, fellowships, and other programs of student aid are unallowable unless the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsoring agency.

These costs must be incurred on the appropriate G/L account to ensure proper treatment in the indirect cost study. The following G/L accounts have been established to record these costs:

- 558010 Stipends/Fellowships
- 506090 Fellowships
- 558060 Graduate Scholarships
- 558020 Undergraduate Scholarships
- 558030 Awards and Prizes - Students

92. **Security Costs.** Costs incurred for the protection and security of the facilities, personnel, and work projects are considered allowable indirect costs. These costs include Environmental Health and Public Safety that the University provides to maintain a safe environment.

Any costs that are incurred due to a specific requirement or need of the sponsored project are allowable as direct charges.

93. **Selling and Marketing.** The costs of selling and marketing any products or services of the University are unallowable except with prior approval by the federal awarding agency when necessary for the performance of the Federal Award or allowable under advertising and public relations.

94. **Service Center Charges.** Charges by service centers of the University such as research and departmental machine shops, duplicating services, and photographic services, are allowable direct costs. Rates must be consistent, nondiscriminatory and may not exceed actual cost. Service centers and rates must be established in accordance with the University’s Recharge Center Policy. [https://www.purdue.edu/business/mas/BPM/Recharge_Center/index.html](https://www.purdue.edu/business/mas/BPM/Recharge_Center/index.html)

95. **Severance Pay.** Compensation in addition to regular salary and wages paid by an institution to employees whose services are being terminated is allowable to the extent that such payments are related to normal recurring turnover and required by law, by employer-employee agreement, by established policy, or by circumstances of the particular employment.

Costs incurred in compliance with the University’s [Separation Pay Policy](https://www.purdue.edu/business/mas/BPM/Recharge_Center/index.html) must be equitably distributed among the activities for that time period. Costs incurred in excess of a University’s normal severance policy upon termination of employment are unallowable.

Non-exempt staff hired prior to July 1, 2015 with an accrued sick leave balance that become official retirees of the University are eligible for a sick leave conversion payout. Sick leave conversion payouts are only made to official retirees. Sick leave conversion pay upon official retirement from the
University may be allocable as a direct cost to sponsored agreements, depending on the specific circumstances at retirement. Staff should determine whether the sick leave conversion pay was accrued on the projects to be charged prior to the certification and distribution of the payroll.

For employees hired prior to July 1, 2015 with an accrued vacation balance, vacation pay upon termination may be allocable as a direct cost to sponsored agreements, depending on the specific circumstances at termination. Staff should determine whether the vacation pay was accrued on the projects to be charged prior to the certification and distribution of the payroll.

96. **Sick Leave.** (See: Fringe Benefits)

97. **Sponsored Projects Administration Expense.** The expenses included in this category consist of the identifiable administrative units established specifically to administer sponsored projects including such functions as Sponsored Program Services. The cost of these activities is an allowable indirect cost.

98. **Student Activity Costs.** Costs incurred for intramural activities, student publications, student clubs and other student activities are unallowable unless specifically provided for in the sponsored agreement.

99. **Student Service Costs.** The costs of administering student affairs and services to students, such as the Dean of Students, Admissions, Registrar, counseling, student advisors, etc., are allowable indirect costs. The effort of academic staff related to this activity should not be charged directly to sponsored programs.

100. **Subcontracts.** Generally, subcontract costs are allowable direct costs but require the prior written approval of the sponsoring agency. For specific contract or grant requirements, contact Sponsored Program Services.

101. **Subscriptions.** (See: Memberships)

102. **Supplies.** (See: Materials and Supplies)

103. **Telephone.** (See: Communications)

104. **Termination Costs.** Where an agreement is terminated early, all reasonable efforts should be made to minimize the sponsor’s costs. Consistent with orderly termination, employees should be reassigned and outstanding orders canceled. Consult Sponsored Program Services for specific requirements.

105. **Thesis Preparation Cost.** Thesis preparation costs are considered a personal expense. These costs are unallowable to a sponsored project. The cost of preparation of illustrations, diagrams, etc., which also form a part of the technical report to the sponsor, generally will be an allowable direct cost. (Also see: Report Preparation)

106. **Training.** The cost of training provided for employee development is allowable.
107. **Travel Costs.** Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the University. These costs are an allowable cost on Federal awards when documentation justifies that participation of the individual is necessary to the Federal award. All travel costs should be reasonable and consistent with the Universities travel reimbursement policies.

108. **Tuition.** Tuition is not allowable on federally sponsored agreements, except in the case of a technical or professional employee who takes a course to qualify in a related procedure or technique essential to the research. Prior sponsor approval is usually required for the expense to be an allowable direct cost. Tuition is also an allowable direct cost on federally sponsored fellowships and training grants in accordance with the restrictions placed on this category by the sponsor.

109. **Tuition Remission.** Remission of tuition for graduate students is an allowable direct cost. A graduate staff appointment is necessary in order for the student to be eligible for the tuition remission. The amount of the tuition remitted for each student is accumulated and included in an average rate charged each pay period in proportion to the distribution of the graduate student’s salary.

110. **Utilities.** Utilities are allowable indirect costs; however, where a project requires abnormal utility consumption, the abnormal portion may be directly charged. Such costs should be included in the terms of the research agreement. (Also see: Operation and Maintenance Expenses)

111. **Vacation.** (See: Fringe Benefits)

112. **Worker’s Compensation Insurance.** (See: Insurance)