Guidance Document on Computer Purchases Costing Less than $5,000 as Direct Charges on Federally Sponsored Research Projects

Purpose: This document provides basic information regarding the purchase of computers and related computer charges (printers, toner, etc.) on federal awards.

Federal Regulations Regarding Computers and Computer-related Costs on Federal Awards

OMB Circular A-21 (Now 2 CFR Part 220) states a clear expectation that certain types of costs will be included in the institution’s F&A cost rate and will not be charged as direct costs to Federal projects. General purpose office supplies (below the $5,000 federal threshold) are considered to be administrative costs and are therefore generally not allowable as direct charges to federal awards. Exceptions may be allowed if fully justified and approved through the University at Albany Direct Cost Exception Form.

Specific guidance varies significantly by sponsor: Some federal agencies have provided language that may further restrict the allowability of computers.

Examples of language from several agencies that fund research at UAlbany; this is not a comprehensive list and in all cases, specific agency terms and conditions apply.

- 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 the 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.”
- 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.”
- 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…”

Fundamental A-21 Criteria for Evaluating Allowability of Computers and Computer Related Costs

Computer charges must meet the same fundamental standards as all other charges to federal awards:

- The must be reasonable
  - There must be an informed, prudent decision regarding the cost, utility, and value to the project
- They must be allowable
There may not be a sponsor restriction on these purchases, either in the sponsor’s general regulations, or specifically in the award documentation.

- They must be directly allocable
  - The primary/principle use of the computer and related costs must be directly allocable to the purpose, goals, and activities of funded projects
- They must be necessary for the project
  - Computers must be essential for project activities; and use should be sufficiently tracked to be adequately justified in the event of an audit

**Allowability**

Computers may be an allowable charge to a federal grant under two general scenarios:

- The computers/laptops are functioning as or in direct support of specialized scientific equipment
  - Requires that the following criteria be used as a guide to allowability (not all are required):
    - Computer is actually connected to scientific equipment or used in lab/field research
    - Computer is not used, or rarely used, for any non-project purpose
- 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.
  - 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.

**Remember:** An administrative cost is not allowable simply because the federal sponsor has approved the budget.

**Allocability**

If a computer is direct charged to a project and is also used other than incidentally for general administrative purposes, some sharing of the costs 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)*

- Caution is required and documentation is extremely important
- An allocation methodology should be developed at the time of proposal, disclosed in the submission, identified at the time of purchase and adjusted during the life of the award if it differs significantly from the initial allocation; particularly if it could be construed that the sponsor is being fiscally disadvantaged. Disclosure should also include justification for unlike circumstances and allocation methodology. If the need for this item is not known at the time of proposal, appropriate documentation requirements, as identified in University procedures, must be met to ensure allowability.
Shared scientific use: A computer can be allocated between 2 or more research grants. Adequate documentation should exist that supports the allocation methodology.

**Incidental Use**

UAlbany’s policy on purchase of computers relies on the best judgment of the PI in evaluating the above criteria, particularly in regards to incidental, non-project use of computing equipment.

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):

- Incidental use never interferes with project use
- Incidental use is solely for convenience (e.g., doing a quick email check, to save a trip back to the office; preparing a short occasional Microsoft Word document)
- Incidental use itself would not have justified the purchase of the laptop
- Incidental use never requires removing the laptop from the project location
- Incidental use does not exceed a de minimis amount

**Documentation**

- Extremely important to justify the purchase of computers
- Must include supporting argument for how the computer will be used as an “unlike” use (beyond normal and customary use)
- Must include support for how the use of the computer will be assigned and tracked within a high degree of accuracy to the specific needs of the project

**University at Albany Process for Approval of Direct Charge for Computers**

Anticipate computer costs and ensure they are included in the original budget and proposal sent to the sponsor.

- The budget narrative should fully justify the cost(s) in terms of how it/they will be used specifically for the project
- Modular budgets: an internal budget and budget narrative that explains these costs should be developed and processed through OSP and Coeus

**Approval Process**

- At the time of purchase, prepare a University at Albany Non-Labor Direct Costs Exception Form
- Be sure to justify the cost in terms of the overall purpose of the project and how the cost will advance project activities

**Key Concepts for Completing the Exception Form**

A brief overview of the project scope and purpose:
• Provide descriptions in lay terms; provide as much quantifiable information as possible – how many sites, how many subjects, how many co-investigators, etc. This will help OSP/SFFM/Purchasing in determining if the project meets federal criteria for “major project” and “unlike circumstances”

For all other exceptions:
• Provide a complete description of the items you wish to directly charge, providing quantity and price
• Explain why each item is necessary for the competition of the project and how each item is related to specific aims or objectives of the project, as well as how each item meets a special project need and is different from similar items generally provided by the Department and/or that are treated as F&A costs. For example, a faculty member cannot include a computer in any sponsored project budget if the computer is required for and used in their general academic and or teaching assignments.

Rebudgeting

Costs not included in the original budget
• Unanticipated need for administrative costs may sometimes occur. We encourage you to anticipate costs, instead of having to request approval after the award has been made.
• In the event Rebudgeting is necessary, the Rebudgeting Form now includes an area for justification of computer charges.

At the Time of Expenditure, Ask Yourself

• Was the expense included in the proposal narrative and budget?
• Did I submit an Exception Form for approval by SFFM/Purchasing?
• Did the sponsor approve or at least not disapprove the budget?
• Does the expense meet A-21 requirements for reasonableness, allocability, allowability?
• Is the expense explicitly related to size and complexity of the budget?
• Is the requirement above the typical items that the department normally provides?

For Further Information

• Refer questions to the appropriate SFFM grants administrator or Purchasing agent
• **A Guide to Major Projects and Charging Administrative Costs to Sponsored Programs**
• **Non-personnel OMB A-21 Exceptions – Direct Charging to Federal Projects**