

**Advancing a Healthier Wisconsin
Research and Education
Direct, Indirect, and Unallowable Costs**

DIRECT AND INDIRECT COSTS

The decision of whether a cost is direct or indirect is based on the ability to specifically identify the cost with the project, rather than on the nature of the goods and services. Failure to mention a specific cost category does not imply it is either allowable or unallowable.

COST	DESCRIPTION	DIRECT/INDIRECT
Advertising	Advertising for personnel recruitment, research subjects.	Direct if specifically related to the project, such as recruitment of dedicated personnel. Otherwise, indirect.
Alterations and Renovations	Rearrangement, alteration or renovation of facilities to expand or improve use.	Indirect – not allowable.
Books, Journals and Subscriptions	Books, journals and subscriptions to professional and technical publications.	Direct if specifically related to the project. Indirect if benefits education or research in general or the faculty member in general.
Consultant	An individual hired to perform professional, short-term services	Direct cost treatment must be specifically requested and justified in the proposal. Otherwise, indirect.
Equipment	Special purpose equipment with a useful life of more than one year and a cost greater than or equal to \$3,000 used only for technical activities.	Direct.
	General purpose equipment with a useful life of more than one year and a cost greater than or equal to \$3,000 such as office equipment and furnishings not limited to research or technical use.	Indirect.
Honoraria	A payment for services, such as a speaker's fee is allowable. An award without services is unallowable.	Direct cost treatment must be specifically requested and justified in the proposal. Otherwise, indirect.
Internal Service Charge	Operating units that use specialized equipment or technical expertise to provide goods or services for a fee (mass spectrometry, biostatistician...)	Direct – appropriate billing rates and charging practices must be followed.

COST	DESCRIPTION	DIRECT/INDIRECT
Maintenance and Repair	Costs to keep property in efficient operating condition. Not including costs that increase property value.	Direct if the project usage can be accurately measured to allocate costs among projects. Otherwise, indirect.
Meals and Meeting Refreshments	Meals are allowable if associated with a conference or symposium where technical information is presented. Meeting refreshments and guest meals are required to be specifically related to the project.	Direct cost treatment must be specifically requested and justified in the proposal. Otherwise, indirect.
Messenger Service	Overnight delivery service or special shipping services, other than routine postage costs.	Direct if shipping samples, receiving goods for project use or other delivery of items directly related to the project work. Indirect if submitting proposals or for other administrative purposes.
Office Supplies, Photocopying, Postage	Office supplies are those items usually maintained in a departmental stock for general use by all staff. Office supplies generally support multiple activities of project personnel. Photocopying of documents. Routine postage costs.	Direct cost treatment must be specifically requested and justified in the proposal. Otherwise, indirect.
Professional Memberships and Dues	Memberships and dues to belong to a professional or technical organization. Professional development expenses are considered unallowable.	Direct cost treatment must be specifically requested and justified in the proposal. Otherwise, indirect.
Proposal Costs	Proposal preparation, including typing, copying and mailing costs for new and renewal applications.	Indirect.
Recharge Center Cost	The direct operating costs of a unit that provides goods and services within MCW.	Direct – appropriate billing rates and charging practices must be followed.
Recruiting	Recruiting and relocation costs to select a new employee.	Direct cost treatment must be specifically requested and justified in proposal. Otherwise, indirect.

Cost	Description	Normally Direct/Indirect
Rent	Cost to lease space or equipment.	<p>Direct cost treatment must be specifically requested and justified in the proposal. Otherwise, indirect.</p> <p>Direct – equipment in proportion to use on the project (see Equipment).</p> <p>Indirect – administrative equipment (fax, copier).</p>
Salary/Fringe for Technical and Program Personnel	Personnel performing scientific or other technical work related to a project.	Direct if work performed is specifically related to the project. The direct cost charge must be based upon the percentage of effort devoted by the employee.
Salary/Fringe for Administrative Personnel	Departmental administration including professional and clerical staff.	<p>Direct cost treatment must be specifically requested and justified in the proposal. Otherwise, indirect.</p> <p>Direct – administrative cost incurred for a technical purpose or related to a large, complex project.</p> <p>Indirect – routine, base level of administrative support provided to all organizational activities.</p>
Telephone, fax lines and pagers	Equipment and service costs for telephones, fax service and pagers.	Direct cost treatment must be specifically requested and justified in the proposal. Otherwise, indirect.
Travel	Transportation, lodging, subsistence and related costs for official business in accordance with organizational policy.	Direct cost treatment must be specifically requested and justified in proposal. Otherwise, indirect.
Tuition	Cost of classes at an educational institution.	Direct cost treatment must be specifically requested and justified in proposal. Otherwise, indirect.

<u>Unallowable Costs</u>	
Cost	Description
Alcoholic Beverages	Alcoholic beverages are unallowable as a direct cost.
Alumni Activities	Alumni relations and alumni service costs.
Bad Debts	Losses from uncollectible accounts, collection costs and related legal costs.
Commencement/Convocation	Costs of ceremonies and receptions.
Contingency Funds	Provisions made for events that are uncertain as to actual occurrence, timing or extent.
Defense, Prosecution, Claims and Appeals	Unallowable.
Donations and Contributions	Includes gifts, memorials and purchase of tables.
Entertainment	Amusement, social activities, and related costs (tickets, meals, lodging and gratuities).
Fines and Penalties	Costs resulting from violations of laws and regulations are unallowable.
Fund Raising	Development activities, including solicitation of gifts and bequests, endowment drives and capital campaigns.
Goods or Services for Personal Use by Employees	Items or services providing direct personal benefit to employees.
Investment Management	Costs of investment counsel.
Lobbying	Attempts to influence outcomes of elections or other political actions.
Losses on Project Agreements	Costs in excess of available funding are unallowable as a direct cost on another project agreement.
Pre-award Costs	Costs incurred prior to the effective date of the project agreement are unallowable charges to the project.
Public Relations and Marketing	Public relations, marketing and related advertising costs intended to promote the organization or improve community relations.
Scholarships and Stipends	Scholarships and stipends are unallowable.
Social Memberships	Memberships in civic, community or social organizations.
Student Activity Costs	Costs of student publications and activities are unallowable.