

# **High-Risk Cost Categories**

## **Direct vs. Indirect (F&A) Cost Guide for Subrecipient Invoicing**

*(Based on 2 CFR Part 200 – Uniform Guidance)*

### **Section 1**

## **General Federal Cost Allowability Standards**

Federal awards follow **2 CFR Part 200 (Uniform Guidance)**.

All costs must be:

- **Necessary** for the project
- **Reasonable** in amount
- **Allocable** (directly benefit the award)
- **Treated consistently**
- **Properly documented**
- **Included in the agency-approved budget** or otherwise specifically approved in writing

**Important:** Budget inclusion alone does **not** make a cost allowable. Costs must still meet federal cost principles.

### **Compliance Reminders:**

- Do not charge the same cost as both direct and indirect (F&A).
- Costs must be necessary, allocable, and consistent with federal cost principles.
- Always document the purpose and allocation clearly.

### **Quick Rule of Thumb:**

“Would we have bought this supply if this grant did not exist?”

- **Yes** → Probably indirect (F&A)
- **No, and included in approved budget** → May be direct

**When in doubt:** Get written clarification before submitting the invoice.

The following cost categories are frequently scrutinized and may be charged as direct or indirect depending on purpose, allocability, and documentation.

## Section 2

### High-Risk Cost Categories (Direct vs. Indirect)

Cost Category	Normally	May Be Direct Only If...
Administrative & Clerical Salaries	Indirect	All 4 conditions in §200.413(c) are met (integral, specifically identified, budgeted/approved, not also indirect)
General Office Supplies (ink, paper, etc.)	Indirect	Project-specific, clearly allocable, budgeted/approved, not routine operations
Postage & Shipping	Indirect	Shipping project-specific materials or required deliverables
Local Telephone / Basic IT	Indirect	Dedicated line/service required exclusively for project
Rent & Utilities	Indirect	Space used solely for the project or properly allocated
Computing Devices (< \$5,000)	Often Indirect	Essential and allocable to award; not general-use equipment
Memberships & Subscriptions	Indirect	Required solely to carry out the award
Audit Costs	Indirect	Program-specific audit required by the award
Advertising	Often Unallowable	Recruitment or outreach is specifically required by the project

## Section 3

### Office Supplies / Printer Ink / Paper

(2 CFR §200.453; §200.413)

#### Usually Indirect (F&A):

- Printer ink and standard office paper are typically general office supplies.
- They support overall operations and are recovered through your indirect cost (F&A) rate.
- If part of normal operations:
  - Do not list on the invoice
  - Recover through approved F&A rate

**May Be Direct (Limited Cases):**

You may charge directly **only if all** of the following are true:

1. Printing is specifically required for the grant
2. Supplies are used solely (or mostly) for the project
3. Cost can be clearly tied to the project
4. Cost is **not** recovered through indirect rate
5. Similar project-specific printing costs are treated consistently
6. Cost is included in the agency-approved budget (or has written approval if added later)

**Examples:**

- **Allowable Direct:** Printing 500 training manuals required under the grant and included in the approved budget
- **Not Allowable:** Routine daily office printing for multiple programs

**Invoice Documentation (Direct Charge):**

- **Itemized Detail:** Vendor name, invoice number/date, description, quantity, cost, total
- **Short Written Explanation:** How supplies were used for the project; confirmation they are in approved budget
- **Allocation (if partially charged):** State % used for the project; attach logs
- **Attach Vendor Invoice / Proof of Payment**

**Sample Statement:**

“Printer toner and paper were used exclusively to print 500 participant manuals required under Task 2 of the grant. Supplies are included in the approved budget under ‘Project Supplies.’”

**If Treated as Indirect (F&A):**

- Do not list routine office supplies on the invoice
- Recover through approved indirect cost rate
- Show F&A calculation if required

## Section 4

# Other High-Risk Cost Categories – Details & Invoice Requirements

### 1. Administrative & Clerical Salaries (2 CFR §200.413(c))

- Normally indirect
- May be direct only if: integral, specifically identified, in approved budget, not in F&A
- **Invoice:** Employee name/title, timesheets, payroll support, justification, budget confirmation, certification no double recovery

### 2. Postage & Shipping (2 CFR §200.474)

- Normally indirect
- May be direct if shipping project-specific materials or required deliverables
- **Invoice:** Shipping invoice, description, project relevance, allocation documentation, budget reference

### 3. Local Telephone / Basic IT (2 CFR §§200.453, 200.464)

- Normally indirect
- May be direct if dedicated line or specialized platform for project
- **Invoice:** Service invoice, project-dedicated proof, allocation method, budget reference

### 4. Rent & Utilities (2 CFR §200.465)

- Normally indirect
- May be direct if space is solely used for the project or temporary field site
- **Invoice:** Lease/invoice, allocation calculation, explanation of use, budget reference

### 5. Computing Devices (< \$5,000) (2 CFR §200.453(c))

- Normally indirect if general use
- May be direct if essential to project, primarily used for award, included in approved budget
- **Invoice:** Vendor invoice, device description, justification, assignment, budget reference, inventory record if required

### 6. Memberships & Subscriptions (2 CFR §200.454)

- Normally indirect
- May be direct if required to carry out project and benefit is award-specific
- **Invoice:** Membership invoice, explanation, budget reference, allocation if shared

## 7. Audit Costs (2 CFR §200.425)

- Normally indirect (Single Audit)
- May be direct if program-specific audit required by award
- **Invoice:** Engagement letter/invoice, documentation, budget reference

## 8. Advertising (2 CFR §200.421)

- Normally unallowable or indirect
- May be direct if recruitment, procurement, or outreach is required by award
- **Invoice:** Invoice, copy/description, justification, budget reference

## Section 5

### Decision Checklist Before Charging Direct

1. Is the cost necessary and reasonable?
2. Is it allocable only to this project?
3. Is it included in the approved budget or separately approved?
4. Is it treated consistently with accounting policies?
5. Is it not already recovered through F&A?

If any answer is “No,” do not charge direct without written clarification.

## Section 6

### Common Audit Triggers / Findings

- Charging administrative staff direct without meeting regulatory conditions
- Charging routine office supplies direct
- Double recovery (direct + F&A)
- Lack of allocation documentation
- Assuming budget approval overrides cost principles
- Charging normally indirect costs as direct
- Lack of approved budget support
- Charging general operational costs as project-specific
- Inconsistent treatment across awards