POLICY ON BUDGET & EXPENDITURES FOR EXTERNALLY SPONSORED PROJECTS

**CHARGES TO EXTERNALLY SPONSORED GRANTS AND CONTRACTS**

All charges must be necessary, reasonable, allocable and allowable under the terms and conditions of the award. Costs incurred must be a direct benefit and easily identifiable to the project. Costs are not a result of the project having available funding.

Cost Accounting Standards (CAS) serve as the basis for budgeting and accounting for all types of sponsored projects. (Reference: CFR 220)

**FACILITIES AND ADMINISTRATIVE (F&A) COSTS**

Facilities and Administrative costs, commonly referred to as either F&A costs or indirect costs, are general institutional expenditures that are incurred for common or joint objectives benefiting instruction, research, or public service and cannot be readily identified with a particular sponsored project.

**EXAMPLES OF F&A EXPENDITURES**

The following types of costs are normally treated as F&A costs and **cannot** be charged directly to a CAS-Covered sponsored project.

- Administrative and clerical salaries
- General office supplies/equip
- Tier 1 Computer Support
- Computers/printers/fax
- Telephone
- Postage
- Individual memberships and subscriptions
- Cell phones

Exceptions may be permitted during the proposal development in situations where the costs can be specifically identified and are for the sole benefit of the project. During the proposal development, a budget justification must be prepared if any of these types of expenditures are budgeted. The justification must explain the purpose of the costs in sufficient detail to enable interpretation by a reviewer or auditor. The justification must be included in the proposal narrative or as an attachment to a budget.
ATTACHMENT ONE

DEFINITIONS

BASIC DEFINITIONS OF COST ACCOUNTING STANDARDS (CAS) FOR EDUCATIONAL INSTITUTIONS

501 - Consistency in Estimating, Accumulating and Reporting Costs by Educational Institutions

Fundamental Requirement – An educational institution's practices used in estimating costs in pricing a proposal shall be consistent with the educational institution's cost accounting practices used in accumulating and reporting costs.

502 – Consistency in Allocating Costs Incurred for the Same Purpose by Educational Institutions

Fundamental Requirement – All costs incurred for the same purpose, in like circumstances, are either direct costs only or F&A costs only with respect to final cost objectives.

505 – Accounting for Unallowable Costs

Fundamental Requirement – Costs expressly unallowable or mutually agreed to be unallowable shall be identified and excluded from any billing, claim, application, or proposal applicable to a Sponsored Agreement.

506 – Consistency in Using the Same Accounting Period for Purposes of Estimating, Accumulating and Reporting Costs

Fundamental Requirement – Educational institutions shall use their fiscal year as their cost accounting period.

DEFINITION OF DIRECT AND INDIRECT COSTS

The cost principles as defined in CFR 220 provide the basis for determining the procedures used to identify direct costs. Costs incurred to support a project are treated as direct costs and are charged to sponsored projects when the costs can be specifically identified to the project with a high degree of accuracy and are thoroughly justified in the budget narrative.

Facilities and Administrative costs, commonly referred to as either F&A costs or indirect costs, are general institutional expenditures that are incurred for common or joint objectives benefiting instruction, research, or public service and therefore cannot be readily identified with a particular sponsored project. These costs are allocated to sponsored projects in accordance with OMB circulars through the application of the University's federally approved F&A Cost Rate.
ATTACHMENT TWO

CLARIFICATION OF CFR220, SECTION F.6.b

ADMINISTRATIVE AND CLERICAL SALARIES/WAGES/FRINGE BENEFITS:

These costs are normally treated as F&A costs and are covered by the negotiated F&A cost rate.

There may be exceptions when the Office of Management and Budget (OMB) permits the direct charging of these costs. Direct budgeting and charging of such costs may be considered where a major project or activity explicitly budgets for administrative or clerical salaries and the individuals involved can be specifically identified with the project or activity.

The nature of the work or actual functions performed under a particular project should require an extensive amount of administrative or clerical support which is significantly greater and in addition to the routine level of such services provided by academic departments.

The following are specific examples of when direct charging of administrative and clerical salaries/wages and fringe benefits might be allowable (with adequate justification in the proposal narrative and upon approval by the sponsor):

1) Large, complex projects, such as research centers, project programs, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.

2) Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting, such as epidemiological studies, clinical trials, and retrospective clinical record studies.

3) Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.

4) A project whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports.)

5) Projects that are geographically inaccessible to normal departmental administrative services or in locations remote from the campus. Examples include clinical education sites and on location Native American research.

Routine account monitoring, proposal processing, typing of general correspondence, manuscripts or technical reports, ordering of supplies, and meeting or travel arrangements are not included in the definition of direct charging and is covered by the University’s F&A cost rate.
GENERAL OFFICE SUPPLIES:

Costs include those incurred in support of basic departmental activities (i.e., paper, pencils, pens, ink, toner cartridges, etc.). These costs are considered readily expendable and are treated as F&A costs covered by the negotiated F&A cost rate. The only exceptions are those wherein the purchase of the supplies is for the sole direct benefit (purpose of the project) and can be specifically identified to the project. The Principal Investigator should provide adequate justification in the proposal narrative for the direct charging of costs in this category, showing that the supplies were a direct benefit to the purpose of the project and can be specifically identified with the project. Office supplies paid from a sponsored project must be consumed within the life of the project.

POSTAGE EXPENSES:

Postage expense incurred in departments that support any of the basic departmental needs should not be charged directly to a sponsored account. The only exceptions are those where postage expense is required. Example:

- For the shipment of research materials
- For a required deliverable (however, not a routine progress or technical report) or
- The sponsored project requires substantial mailing expense, which can be specifically identified to the performance of the project.

The justification should demonstrate that the postage provided a direct benefit to the purpose of the project and can be specifically identified with the project.

For example, if the purpose of your project were to survey 10,000 high school students to determine their attitudes on violence in the school system, the postage for the survey would be an allowable direct charge.

TELEPHONE AND VARIOUS OTHER COMMUNICATION EXPENSES:

Communication expenses incurred in departments in support of the basic departmental activities should not be charged against sponsored projects. The only exceptions are those relating to equipment charges (dedicated research/lab lines), long distance calls, faxing charges, and various other communication expenses specific to a project and incurred for the sole direct benefit of the project. Cellular phones may be direct charged if needed for field site coordination and projects requiring extensive travel. The budget justification must indicate how the request met these criteria.

Installation charges, monthly use charges, local access calls, pagers, etc. are considered F&A costs and should not be charged directly to a sponsored account.
MEMBERSHIPS

Non-transferrable individual memberships to a professional organization are not allowable as a direct charge. Memberships must be institutional memberships and/or must be transferrable if the member were to leave employment at OUHSC. A transferrable individual membership to a professional group may be allowed as a direct charge only if the following can be demonstrated:

- The membership creates a cost-savings to attend a conference at which research results specific to the project will be presented, or membership is mandatory in order to present a paper specific to the project or

- The sole purpose of the membership is to purchase a periodical at a reduced rate, and the periodical is not available through the institution’s library services and the periodical is necessary for the sponsored project.

The budget narrative must indicate how the membership costs meet these requirements.

SUBSCRIPTIONS/BOOKS/PERIODICALS

Subscriptions, books and periodicals are usually considered F&A costs, and are therefore not allowed as direct costs.

GENERAL PURPOSE SOFTWARE:

The category of office supplies also includes general-purpose software and site licenses (e.g., Word, Excel, Adobe, etc.) These items are normally not allowable as direct costs. Software is only allowable if it is special-purpose software required for data acquisition or interpretation for a sponsored research project. The budget justification should list each item being requested along with its unit cost. A justification is required which describes the circumstances of the project and demonstrates why the items are needed and how these charges comply with University policy.