

University of Central Arkansas
Extramural Funding Policies and Procedures

Policy/Procedure Name: Allowable Costs for External Grants & Contracts

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Approved by: Council of Deans 1/28/09

Council of Vice Presidents (Senior Staff) 3/2/09

Effective Date: 3/2/09

Purpose

The following policy outlines the allowable costs for grants, contracts, and sub-awards at the University of Central Arkansas (UCA). The policy matches OMB Circular A-21. The Cost Accounting Statements (CAS) and OMB A-21 provide the basic criteria to determine direct costs on federally sponsored projects. Regardless of the funding agency, costs for sponsored programs are based on answering the questions: Are costs allowable, reasonable, allocable, and especially consistent in like circumstances?

Definitions

(1) Allowable – Costs must conform to any limitations or exclusions stated in generally accepted accounting principles or in the sponsored agreement, i.e., the cost must be “allowable” and not specifically designated as unallowable by regulation or grant/contract specific award conditions.

(2) Reasonable – Cost is generally recognized as necessary for the performance of the project and is one that a “prudent person” would consider reasonable given the same set of circumstances.

(3) Allocable – Cost is incurred for the benefit of only one project, or the item can be easily assigned to multiple benefiting projects. A specific project may only be charged that portion of the cost that represents the direct benefit to that project.

(4) Facilities & Administrative (F&A) Costs - Costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. F&A costs are synonymous with “indirect” costs.

(5) Consistency – Similar costs are treated as direct or F&A costs when incurred in like circumstances. Costs generally direct charged to a sponsored project should not be included as F&A costs on other projects when incurred for the same purposes. Where UCA treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution.

(6) Major Project – Large complex programs such as General Clinical Research Centers; Primate Centers; Program Projects; environmental research centers; engineering research centers; U.S. Department of Education FIPSE, Upward Bound, Title III and VI grants; as well as other grants and contracts that entail assembling and managing teams of investigators from a number of institutions are typical major projects. Projects that require an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments, may qualify as a “major project”.

(7) Unlike Circumstances – When a cost is incurred for a purpose outside of the normal practices or activities for that type of cost.

Policy

Costs incurred for the same purposes in like circumstances must be treated consistently as either a direct cost or as an F&A cost. In other words, where UCA treats a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall also be treated as direct costs of all activities of the institution.

Costs charged to federally sponsored projects which result in inconsistent treatment of direct costing practices will be documented with written justifications supporting OMB A-21 exceptions of “major project” or “unlike circumstances”.

Identification with the sponsored work, (i.e., the scope of work) rather than the nature of the goods and services involved is the determining factor in distinguishing direct from F&A costs of sponsored agreements.

Unallowable Costs:

(1) At UCA, the following costs *ARE NOT* normally budgeted and charged as direct costs of sponsored projects:

(2) Salaries of clerical or administrative personnel; other costs such as supplies, travel, repairs, fees and services, local and long distance telephone expenses, postage or copying that are for routine departmental or administrative work that benefits general activities of the department (instruction, research, training, public service, etc.), i.e., there is no direct relationship to a specific sponsored project's scope of work.

(3) General office items with multi-functional use such as computers, fax machines, answering machines, staplers, hole punches, filing cabinets, chairs, desks, calculators, waste baskets, etc., that do not have a direct relationship to a specific sponsored project's scope of work.

Allowable Costs:

(1) At UCA, the following costs *ARE* normally budgeted and charged as direct costs. The common element is that the cost is necessary to perform the project's stated scope of work:

(2) Salaries and fringe benefits of faculty, technicians, post docs, graduate research assistants and other staff engaged in performing sponsored project's scope of work.

(3) Supplies and materials, travel, repairs, fees and services, local and long distance telephone expenses, postage, or copying necessary for performing sponsored project's scope of work.

(4) Capital equipment and service/maintenance agreements on capital equipment that is approved by the sponsor (or internally approved if allowed by the sponsor) necessary for performing sponsored project's scope of work.

Identification with the sponsored work, (i.e., the scope of work) rather than the nature of the goods and services involved is the determining factor in distinguishing direct from F&A costs of sponsored agreements. [Office of Management and Budget Circular A-21, Section D.]

Justification required in proposals that budget certain costs as direct costs:

For the following cost items (and for any others that a layperson may consider routine and administrative in nature), specific written justification as to the relationship between the cost and the proposed project's scope of work should be completed and submitted to the Sponsored Programs Office (SPO) as a part of the proposal to the sponsoring agency. The documentation should explain the direct benefit relationship between these cost items and the proposed scope of work.

1. Clerical and administrative salaries
2. Office Supplies

3. Copier Paper
4. Toner/Ink Cartridges
5. Postage
6. Telephone/cell phone/pagers
7. Memberships
8. Subscriptions

Items generally thought of as having multi-functional use (staplers, hole punches, filing cabinets, chairs, desks, computers, printers, fax machines, calculators, waste baskets, etc.)

Examples of “Unlike Circumstances” justification:

“The telephone expense on this project is for a dedicated “hot line” which the research project requires to meet its scope of work. This expense is specifically identified in the grant proposal as an integral part of the research project.”

“This project will require mass mailings of DNA sampling kits in order for research subjects to properly participate in the study. This postage expense is specifically identified in the grant proposal as an integral part of the research project.”

“The laptop computer in this proposal will be used in the field to record subject information and conduct research outside of the university research laboratory. This expense is specifically identified in the grant proposal as an integral part of the research project.”

Examples of “Major Project” justification:

This project is major, as defined by OMB Circular A-21, and meets government requirements. It is major because _____ (e.g., it will require the accumulation and distribution of large quantities of survey data from UCA to other institutions and collaborators). As a major project, this award will include costs for the survey instrument and the administrative personnel processing the survey information.

The Principal Investigator will require administrative support for _____ (e.g., scheduling conference facilities, scheduling speakers, and coordinating travel itineraries of multi-institutional faculty and participants in order to meet the specific goals of this conference grant). All personnel effort and expenses charged to this project will be for services specific to the project and not for the general support of the faculty or the academic activities of any University department. In addition, all effort charged to this project will be supported through the effort reporting system.

Note: Only include information that is applicable to and accurate for your project.

Review of Justification:

Justifications for direct charging expenses to federally sponsored projects will be **reviewed at the department level, the college level, and by SPO prior to submission** of the grant proposal to the funding agency. Justifications will be reviewed for specific instances or goals of the project that support “major project” or “unlike circumstance” status. Approval for direct expensing costs that normally would be F&A expenses will only be given for those expenses specifically identified in the justification. If the justification is deemed insufficient or inappropriate at any point in the review process, the Principal Investigator and respective department will be notified, and the expenses must be removed from the direct cost budget in the proposal.

Justification required for certain costs requested after grant award:

For the same group of cost items, specific written justification as to the relationship between the cost and the awarded project's scope of work should be completed and submitted to the Grants Accounting Office if it is determined that such an item not identified at the proposal becomes necessary during the life of the project. If the need for the item is necessitated by a change in the scope of the project, the funding agency must be notified of the change in scope. As with the other justifications, the documentation should explain the direct benefit relationship between the cost item and the scope of work.

REFERENCES:

Federal OMB Circular A-21

Sections: C11, D1, F6b(1,2,&3), J18, Exhibit C and CAS 9905.502

Link to OMB Circular A-21

http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

Note: This policy is subject to change with regard to federal and state agency guidelines.

Proposal Budget Checklist

The purpose of this checklist is to provide principal investigators with a budget development tool for grants and contracts. Costs fall into two major categories – direct costs and facilities and administrative costs. When developing your budget, be certain to refer to and understand the University's Direct Charges Policy, available on the Sponsored Programs web site at <http://spo.uca.edu>.

Direct Costs (costs directly related to the specific project)

Personnel Costs

Senior Personnel Salaries

- Principal Investigator (PI) and co-Principal Investigators (co-PI) that are employed by the University would be accounted for in this category.
- Percentage of effort or person-months (as required by sponsor) should be noted for all senior personnel on the project.
- Many agencies including the National Institutes of Health and NASA do not recognize the concept of co-PI but rather to personnel in these positions as co-Investigators (co-I).

Other Personnel Salaries

- Employees of the University who will be working on the project, aside from the PI and co-PIs, are included in this category.
- Note that this category may include people who are currently employed by the University as well as those that will be hired when the project is awarded.
- Classifications for Other Personnel may include other faculty involved on the project, professional staff such as a project director or data analyst, postdoctoral fellows, graduate and undergraduate research assistants.
- Percentage of effort or person-months (as required by sponsor) should be noted for all employees on the project.

Fringe Benefits

- All persons paid to perform work on a grant or contract who are University employees are entitled to receive fringe benefits.
- Fringe benefit rates are updated periodically and are available on the Sponsored Programs website at <http://spo.uca.edu>.

Other Direct Costs Typically Associated with Research and/or Training Projects

Travel

- Domestic and foreign travel associated with the proposed project should be specified.
- If foreign travel is not specified in the budget, the University must request prior approval for such travel from the sponsor.
- Some agencies define Mexico and/or Canada as domestic travel.
- Typical travel costs supported by sponsors include airfare, lodging and incidental expenses (per diem), conference registration costs, local travel costs such as car rental.
- It is highly recommended that principal investigators be as specific as possible when providing justification for proposed travel costs (for example, discuss the professional conferences that fit best in terms of disseminating information about the project, where they will be occurring and costs associated with each.) Travel is often one of the first line items sponsors automatically reduce, but a complete explanation of the necessity to the project may convince the sponsor otherwise.

Materials and Supplies

- This line item details tangible materials and supplies costing less than \$5,000 per unit that are for project specific purposes.
- Agencies generally require itemization of proposed purchases under this category.
- Most computing equipment now falls under this category. Note that purchase of general computing equipment is not an allowable cost on federal grants and contracts; rather, purchase of computing equipment requires a clear explanation of its importance to the project (for example, the project involves large datasets and requires a high-end workstation for analysis.)

Publication/Page Charges

- Costs of producing publications required by the sponsor such as monographs would be under this category.
- Typical costs also included in this category are graphic design, photography, journal page charges and other vehicles for dissemination of research results.

Communication Charges

- This category usually consists of long-distance telephone charges directly associated with the project. For example, projects involving telephone surveys of participants throughout the United States would be an allowable charge.

- Other potential items under this category may include mobile telephones or other electronic devices **under special circumstances**. For example, if the proposed project involves project-related travel in rural areas and mobile telephones are necessary to maintain contact with project personnel, this may be an allowable expense. Expenses of this nature will need to be carefully justified in the proposal and specifically approved by the sponsor.

Consultants

- A consultant is an individual who will provide professional advice or services for the project not available elsewhere within the University.
- A consultant cannot be an employee of the University. Employees of the university can perform these services but must be listed under Other Personnel if across departmental or college lines.
- A person in a consultant status is not supervised by project personnel.
- For budgeting purposes, sponsors require specifics as to what tasks the consultant will perform on the project as well as the consultant's daily consulting rate, travel costs, etc.
- Additional information necessary from a consultant includes a signed letter and CV.

Subcontracts

- If a collaborator is located at another institution, the usual method of inclusion on the project is a subcontract.
- Sponsors typically require a subcontractor scope of work, budget and budget justification for the portion of the project to be conducted by the subcontractor.
- The University requires a letter of collaboration signed by the subcontracting institution's authorized representative, the detailed budget and justification and a scope of work outlining the subcontractor's role on the project.
- Proposals typically include the subcontractor key personnel CVs.

Postage

- General postage costs are not allowable on federal grants and contracts.
- Activities specific to the project such as a mail survey or outreach efforts to participants and their families would qualify postage as a legitimate grant or contract charge.

Photocopy Charges

- General copying charges are not allowable on federal grants and contracts.
- Copying charges for materials directly related to the project, such as training materials or survey instruments, would be allowable charges.

Computer Software

- Specialized software necessary to the project should be itemized and justified.
- General purpose software (e.g., word processing or spreadsheet software) is not an allowable expense on grants and contracts.

Rental/Equipment Fees

- Costs associated with rental of equipment directly related to the proposed project should be outlined and fully justified.

Permanent Equipment (\$5,000 or over per unit)

- Equipment is defined as any item costing \$5,000 or more and having a useful life of more than one year.
- Freight charges, installation costs, subcomponents or peripherals needed to make the equipment operational should be considered as part of the equipment cost.
- Sponsors generally require manufacturer quotes as part of the proposal.

Capital Expenditures

- Costs associated with alteration or renovation of buildings would fall under this category.
- Any costs of this nature should be fully justified.
- This is an unusual expenditure on grants and contracts.

Rental Costs

- Costs of renting space to house a project that cannot be accommodated on the UCA campus may be requested.
- An example would be a sponsored project involving an outreach project that will be housed in a local facility to increase subject participation. The local facility requires payment for such space which would be, with agency approval, an allowable expense.
- The rationale for this item should be very apparent.

Participant Support Costs

- This category includes items such as research subject payments or incentives.
- The methods for providing such incentives should be outlined thoroughly in the budget justification.
- Some sponsors, most notably the National Science Foundation, use this category to denote project trainees or workshop attendees and there are specific costs associated such as stipends, travel and material costs for participants.

Tuition

- Tuition assistance can be included in the budget for graduate and undergraduate research assistants on the project when allowed by the sponsor.
- The University, as a state agency, is prohibited from paying tuition costs for international and out-of-state students.
- Specify maximum credit hours per semester per student.

Stipends

- Stipends are monetary assistance provided to students who have no obligation to work for the money they are provided.
- Note that stipends are only allowed by the University when required by the sponsor; the vast majority of students involved as research assistants on sponsored programs will be paid a salary rather than a stipend.

Facilities and Administrative Costs (aka indirect costs, overhead, tax)

Facilities and Administrative Costs

- The University's federally negotiated Facilities and Administrative Costs Rate is currently 43% of all salaries and wages (including graduate and undergraduate research assistants).
- These are real costs of doing business for the University but cannot be attributed to any one project with any degree of accuracy. Therefore, the University negotiates a rate with a federal agency (UCA's cognizant agency is the U.S. Department of Health and Human Services) to help defray such expenses.
- If an agency has a published, consistently applied policy dictating a rate lower than the University's authorized rate, the University will honor that rate. Be certain to supply the sponsor documentation of this policy when routing your proposal. Please contact the Sponsored Programs Office about the F&A Waiver Process.

Other Budget Considerations

UCA Cost Share

- Depending on the sponsor and proposed project, it may be required that the University be responsible for providing a contribution to the project, known as cost share or matching funds.
- Please note that the cost share or matching funds must be required by the sponsor, not voluntary.

- Cost share can be in the form of a cash contribution. Examples would be if the University commits to purchase supplies for a project, pay for a 9-month faculty member's effort during the summer, pay for a graduate student's salary or tuition or fund travel costs.
- Cost share can be in the form of in-kind costs. In-kind costs are ones which the University is already committed to pay such as a faculty member's academic year time and effort. Required waivers of Facilities and Administrative Costs can, at the discretion of the sponsor, be used as cost share.
- Please consult UCA's Cost Share Policy on the Sponsored Programs web site at <http://spo.uca.edu>.

Third Party Cost Share

- If a collaborator outside of the University will be responsible for providing cost share on a project, the PI should arrange for a letter of commitment from this third party source outlining the cost share they will be contributing as well as any restrictions.
- This letter will normally be included as part of the University's proposal to the proposal.