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PURPOSE OF GUIDELINES

In accepting federal funds for sponsored projects, the University of Maine System (UMS) agrees to abide by government regulations regarding the use of those funds. This document is intended specifically to provide guidance about what and when costs may or may not be charged to sponsored grants and contracts.

POLICY

As governed by the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), located at 2 CFR Part 200, federal sponsored funds may be used to pay, as either “direct costs” or “indirect (Facilities and Administrative, or F&A) costs,” for certain items associated with sponsored projects.

This policy is based on the interpretation of federal regulations and adherence is required for all federal awards. All expenses charged directly to a federal award must be:

1. **Reasonable** – The cost must reflect what a “prudent person” would pay in a similar circumstance.

2. **Allocable** – The cost must be associated to a project with a high degree of accuracy.

3. **Consistently Treated** – Costs incurred for the same purpose in like circumstances must be treated consistently, as either a direct expense or an indirect cost (recovered via the allocation of F&A)

4. **Allowable** – Expenses must be allowable under both the provisions of federal guidance and under the terms of the specific award.

WHO IS RESPONSIBLE

Responsibility for following these guidelines lies primarily with Principal Investigators or Project Directors, their Department Chairs or other direct supervisors, and unit-level fiscal personnel with the general guidance and oversight of the colleges, schools and divisions.

The applicable campus Office of Sponsored Programs (OSP) or other designated personnel are responsible for providing general guidance and technical assistance.
The UMS University Services is responsible for providing guidance through administrative practice letters (APLs) and coordinating compliance monitoring through periodic internal and external audits.

Failure to follow these guidelines may have serious consequences, including disallowed costs, which would require reimbursement to the sponsor from unrestricted departmental funds; increased federal oversight, monitoring, and audits; and loss of future federal funding.

APPLICABLE FEDERAL REGULATIONS

Uniform Guidance

The spending of any funds awarded by the federal government to the UMS is governed by 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), published by the Office of Management and Budget (OMB).

Cost Accounting Standards

In addition, Uniform Guidance §200.419 requires the UMS, as an Institute of Higher Education (IHE) that receives aggregate federal awards totaling $50 million or more, to comply with the Cost Accounting Standards Board’s (CASB) Cost Accounting Standards (CAS) that apply to colleges and universities and are codified in 48 CFR Part 9905. The purpose of the CAS is to ensure consistency within an IHE’s accounting and reporting practices and includes the following sections:

- CAS 501 (§9905.501) – 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.

- CAS 502 (§9905.502) - 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.
• CAS 505 (§9905.505) - Accounting for unallowable costs—Educational institutions

  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.

• CAS 506 (§9905.506) - Cost accounting period—Educational institutions

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

RESPONSIBILITIES AND PROCEDURES

A. Costs That May be Charged to a Sponsored Agreement

The UMS may directly charge to sponsored projects, costs that are reasonable, allocable, and not limited or excluded by OMB Uniform Guidance – Subpart E or the specific terms of the sponsored agreement. The UMS must consistently treat certain kinds of costs as F&A; therefore, such costs may not be directly charged. The cost of a sponsored agreement is comprised of allowable direct costs, plus the allocable portion of the allowable F&A costs of the UMS.

To be an allowable cost, the cost must be:

1) Reasonable – Per OMB Uniform Guidance §200.404, a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. Major considerations involved in the determination of the reasonableness of a cost are:

   • Whether or not the cost is of a type generally recognized as ordinary and necessary for the operation of the UMS or the proper and efficient performance of the sponsored project,
   • The restraints or requirements imposed by such factors as: sound business practices; arm’s-length bargaining, federal, state and other laws and regulations, sponsored agreement terms and conditions, or agency guidelines,
   • Market prices for comparable goods or services for the geographic area,
   • Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the institution, its employees, its students, the Government, and the public at large; and,
Whether the UMS significantly deviates from its established institutional policies and practices regarding the incurrence of costs, which may unjustifiably increase a sponsored award’s cost.

2) **Allocable** – Per OMB Uniform Guidance §200.405, a cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with the relative benefits received. Therefore, a cost is allocable to a sponsored agreement if:

- It is incurred solely to advance the work under the sponsored agreement, or
- It benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated using reasonable methods, or
- It is necessary to the overall operation of the institution, and is assignable (under the principles of OMB Uniform Guidance – Subpart E Cost Principles) in part to sponsored projects.

**Deficiencies** - Per Uniform Guidance §200.405(c), any costs allocable to a particular sponsored agreement may **not** be charged to other sponsored agreements in order to overcome fund deficiencies, to avoid restrictions imposed by law, regulations, or by terms of the sponsored agreement, or to meet other reasons of convenience.

**Allocation to Multiple Projects** - Per Uniform Guidance §200.405(d), if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding the restrictions noted under the “Deficits (§200.405(c)” above, the costs may be allocated or transferred to benefitted projects using a reasonable documented basis.

3) **Consistently Treated** - Per Uniform Guidance §200.403(d) and CAS 502, the UMS must ensure that each type of cost is consistently treated, meaning allocated only once and on only one basis to any sponsored agreement or other cost objective. Adherence to these cost accounting concepts is necessary to guard against the overcharging of some cost objectives and to prevent double counting.

This consistency standard requires that 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. Costs normally considered indirect costs, e.g.
administrative salaries, postage and delivery, local and cellular telephone, copier expenses, general office supplies, may be allowable as direct costs if they meet all four of the following criteria for an "unlike purpose and circumstance":

a. An unlike circumstance exists in which a sponsored project requires resources beyond those normally expected for a typical research project;
b. The cost can be associated with the specific sponsored project with a high degree of accuracy; and
c. The awarding agency has approved the cost, if integral, as a direct expense in the awarded budget. If the expense was not included in the awarded budget, sponsor approval should be obtained prior to expenditure.
d. The expense is not also recovered as an indirect cost.

Other Administrative Expenses

Normally, non-salary administrative expenses may not be distributed or rotated among sponsored agreements. Departments should not use any type of pooled allocation method to charge administrative expenses to federal sponsored agreements except from a service center with approved rates. These items are part of the F&A or indirect cost rate and should not be charged directly to federally-funded sponsored projects unless they benefit the technical scope of work and meet the criteria listed above. Examples of non-salary administrative expenses can be found in the section titles “Indirect (F&A) Costs.”

4) Not unallowable - The nature and amount of the cost must not be limited or excluded by OMB Uniform Guidance - Subpart E or the sponsored agreement. Costs that are considered unallowable may not be charged to a federal award either as a direct charge or recovered indirectly through the F&A rate.

B. Documentation and Justification for Expenditures

Per Uniform Guidance §200.403(g), to be allowable under federal awards, cost must be adequately documented. As such, the backup for the expenditures on sponsored awards must be adequate to support and justify that:

- The expense provides a direct benefit to the award
- The expense complies with any award restrictions and approval requirements outlined in the terms and conditions of the award
- The expense was incurred within the approved period of performance of the award (unless the PI has documented authorization for pre-award spending)
• For direct charging of expenditures normally considered to be F&A, there is documentation that an unlike circumstance exist in which the sponsored project requires resources beyond those normally expected for a typical project and that the expense is “integral” to the performance of the award.

C. Observance of Period of Availability of Funds

The UMS must ensure obligations incurred are timely. Uniform Guidance - Subpart D – Post Federal Award Requirements, §200.309 - Period of Performance indicates, “A non-federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.”

D. Types of Costs - Direct

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

The following practices for charging direct costs are prohibited:

- Purchasing items simply to use unobligated balances
- Rotating charges among grants
- Assigning cost to grants based upon remaining budgets
- Charging the budget amount rather than basing the charge on actual project usage
- Assigning a “departmental tax” to projects for clerical/administrative costs
- Charging expenses to grants when the expense supported other activities

The following section provides guidance for some typical costs allowable as direct costs on federal awards. For a complete listing of all types of cost, please refer to Uniform Guidance – Subpart E – Cost Principles (§200.400-200.475).

Administrative and Clerical Salaries (§200.413(c)) - Administrative and clerical personnel who provide non-technical support services that benefit departmental, institute, center, or school activities. The services of these individuals could include: clerical support, financial management, procurement of materials and services, budget and planning, and personnel management.
The salaries of administrative and clerical personnel are normally treated as an indirect cost unless they meet the definition of "unlike purpose and circumstance" and are integral to the project. As stipulated in the Uniform Guidance, direct charging of administrative salaries is allowable when all of the following 4 conditions are met:

1. Administrative or clerical services are integral to a project or activity;
   - The requirement that the cost be "integral" means the services are essential, vital, or fundamental to the project or activity.
2. Individuals involved can be specifically identified with the project activity;
3. Such costs are explicitly included in the budget or have the prior written approval of the awarding agency.
   - A budget justification must be included in the proposal.
4. The costs are not also recovered as indirect costs.

Advertising and Public Relations (§200.421) - The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like. The term "public relations" includes community relations and means those activities dedicated to maintaining the image of the UMS or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

Advertising/media expenses are only allowable as a direct charge if used solely for one of the following situations:

1. The recruitment of personnel required for performance of a federal award (subject to the requirements in Recruiting section and 2 CFR §200.463);
2. The procurement of goods and services for the performance of a federal award; or
3. The disposal of scrap or surplus materials acquired in the performance of a federal award except when the UMS is reimbursed for disposal costs at a predetermined amount; or
4. Program outreach and other specific purposes necessary to meet the requirements of the federal award.

The only allowable public relations costs are:

1. Costs specifically required by the federal award;
2. Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the federal award (these costs are considered necessary as part of the outreach effort for the federal award); or

3. Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.

**Communication Expenses (2 CFR Part 200 Appendix III)** - Communication expenses, including local telephone costs, must normally be treated as indirect costs. However, expenses that can be specifically identified to a particular cost objective (sponsored project), such as telephone toll charges, should be treated as direct costs.

1. **Communication expenses that may be charged as direct costs include:**
   - Itemized long distance telephone charges when the call is related to a specific award
   - Communication devices used exclusively for conducting surveys for a specific award
   - Telephones and cell phones used exclusively to manage a specific multi-site research project
   - Dedicated phone lines setup to receive calls or conduct surveys for a specific award

2. **Communication expenses normally charged as indirect costs include:**
   - Charges for local telephone service
   - Charges for cell phones or other personal communication devices
   - On-campus or home internet or network connectivity fees

**Compensation - Personal Service (§200.430)** - Compensation costs for technical staff are generally allowable direct costs when the paid effort provides a direct benefit to the award and when the amount is within the federally allowable limits (agency caps). Compensation cost for administrative and clerical staff are allowable as direct cost only if they are “integral” to the project and meet the
requirements detailed above under the “Administrative and Clerical Salaries” heading.

**Note:** Time and effort reports document that salaries and wages charged to sponsored agreements are reasonable in relation to work performed. Such reports are generated by the UMS University Service Accounting Department (or applicable campus OSP) for distribution to the applicable UMS and campus departments. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period stated, the reports are signed by the employee, the applicable principal investigator with firsthand knowledge of the work performed, or a responsible official using suitable means of verification that the work was performed.

Please refer to APL VIII-E Effort Certification for additional information.

**Compensation- Fringe Benefits (§200.431)** - Fringe benefits are allowable as direct compensation costs in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans.

**Computing Devices (§200.20 and §200.453)** - Defined as machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. Computing devices should be included under the budget category ‘Materials and Supplies’ in proposals.

Computing devices costing less than $5,000 that are essential and allocable, but not solely dedicated to the performance of a federal award, may be charged 100% to an award or may be allocated to several awards. Capitalized computer equipment (i.e., costing $5,000 or more), is still classified as general purpose equipment and is normally unallowable as a direct cost unless approved by the awarding agency.

**Entertainment Costs (§200.438)** - Entertainment costs are allowable only when the cost is specific and has a programmatic purpose to the award, and is authorized either in the approved budget or with the prior written approval of the federal awarding agency. In all other cases, costs of entertainment, including amusement, and social activities, and any associated costs are unallowable.

**Exchange Rates (§200.440)** - The cost of fluctuations in exchange rates is allowable as long as there is funding available on the award and prior approval has been received from the federal awarding agency. The institution must review local currency gains to determine the need for additional federal funding before the expiration date of the federal award.
Equipment (Capital) (§200.439 and §200.33/.48/.89) - Equipment is defined as tangible personal property having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity or $5,000. Equipment, including fabrications, may only be charged as a direct expense when it is necessary for the performance of the sponsored award, with the following restrictions:

1. Capital expenditures for **general purpose equipment** are unallowable as direct charges, except with the prior written approval of the federal awarding agency or pass-through entity. General purpose equipment is generally treated as an indirect cost (via depreciation) because it cannot be easily linked to a specific cost objective (sponsored project).

**General purpose equipment** is defined as equipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

2. Capital expenditures for **special purpose equipment** are allowable as direct costs, provided that items with a unit cost of $5,000 or more have the prior written approval of the federal awarding agency or pass-through entity.

**Special purpose equipment** is defined as equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

When the purchase of equipment or other capital items is specifically authorized under a sponsored project, the amounts authorized for such purchases are assignable to the sponsored project regardless of the use that may subsequently be made of the equipment or other capital items involved when no longer needed for the purpose for which it was originally required.

**Note:** Equipment purchases charged directly to an award must be necessary for performance on the project; therefore, equipment purchases near the end of an award period should have additional scrutiny and may be subject to project-specific justification and/or sponsor approval.

**Equipment Repairs (§200.452)** - Service costs incurred for necessary maintenance, repair, or upkeep of special purpose equipment dedicated to a
specific project (which neither add to the permanent value of the equipment nor appreciably prolong its intended life, but keep it in an efficient operating condition) are allowable. Service costs for routine repairs and maintenance on general purpose equipment are normally treated as indirect costs.

**Goods or Services for Personal Use (§200.445)** - Housing, housing allowance and personal living expenses are allowable if approved in advance by the awarding agency as a direct charge. The budget justification must explain the direct benefit to the project.

Costs of goods or services for personal use are unallowable regardless of whether the cost is reported as taxable to the employee.

**Materials & Supplies (Including Computing Devices) (§200.453 &200.94) -** Costs incurred for materials, supplies, and fabricated parts necessary to carry out a federal award are allowable.

Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from central warehouses or stockrooms must be charged at their actual net cost. Incoming transportation charges are a proper part of materials and supplies costs.

- General purpose materials and supplies purchased for use by departments for all activities (such as copy paper, office supplies and cleaning materials) are considered indirect costs and should not be directly charged to federal awards.
- Materials and supplies purchased for the performance of a specific sponsored award may be charged as direct costs.

**Computing Devices**

A computing device (§200.20) is defined as a machine used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information.

A computing device is further classified as a supply (§200.94) if the acquisition cost is less than the lesser of the capitalization level established by the non-federal entity for financial statement purposes or $5,000, regardless of the length of its useful life.

Per §200.453(c), in the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a federal award. As such, the cost of the
computing device may be allocated to multiple sponsored awards if the project’s portion of the use can be reasonably estimated and is directed by the PI. The expense should be properly allocated to all benefitting activities.

Computing devices costing greater than $5,000 are considered general purpose equipment and must follow the requirements for general purpose equipment contained in the previously covered Equipment (Capital) section.

**Participant Support Costs (§200.75/200.456)** - A Participant is defined as an individual who is the recipient of a service or training provided at a workshop, conference, seminar, symposium or other short-term instructional or information sharing activity funded by a sponsored project. Participants may include students, scholars, and scientists from other institutions, private sector representatives, teachers, and state or local government agency personnel. A UMS employee may not be a participant.

Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects. These costs must now be accepted by agencies as allowable costs, but still require prior agency approval. In addition, these costs must be **excluded** when calculating the Modified Total Direct Costs (MTDC) to determine the overall project’s F&A costs.

Please see APL VIII-M Participant Support Costs for additional guidance.

**Postage and Delivery (§200.473)** - Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable. When such costs can readily be identified with the items involved, they may be charged directly as postage and delivery costs or added to the cost of such items. Where identification with the materials received cannot readily be made, inbound transportation cost may be charged to the appropriate indirect (F&A) cost accounts. Outbound freight, if reimbursable under the terms and conditions of the federal award, should be treated as a direct cost.

**Professional Services Costs (§200.459/200.435)** - Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the UMS, are allowable, subject to the following:

1) The nature and scope of the service rendered in relation to the service required.
2) The necessity of contracting for the service, considering the internal capability of UMS staff in the particular area.

3) The past pattern of such costs, particularly in the years prior to federal awards.

4) The impact of federal awards on UMS activities (i.e., what new problems have arisen).

5) Whether the proportion of federal work to the UMS is such as to influence the UMS in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under federal awards.

6) Whether the service can be performed more economically by direct employment rather than contracting.

7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities.

8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

In addition to the above factors, to be allowable, retainer fees must be supported by evidence of bona fide services available or rendered.

Per §200.435, cost related to the defense and prosecution in criminal and civil proceedings are unallowable.

Publication and Printing Costs (§200.461) - Costs of publication or sharing of research results that are incurred outside the period of award performance are allowable and may be charged before project closeout, even if the project has ended. These costs should be included in the budget. If publication costs are not identifiable with a particular cost objective they should be allocated as indirect costs and funded by a non-sponsored source.

Recruiting Costs (Visas, short-term) (§200.463(d)) - Short-term visas (as opposed to longer-term immigration visas) are issued for a specific period and purpose, and therefore can be clearly identified as directly connected to recruitment of personnel for a federal award.

For the costs to be directly charged to a federal award, they must:
• Be critical and necessary for the conduct of the project;
• Be allowable under the applicable cost principles;
• Be consistent with the non-federal entity’s cost accounting practices and non-federal entity policy; and
• Meet the definition of “direct costs” as described in the applicable cost principles.

Direct charging of these costs may be accomplished through specific identification of specific costs to the benefiting cost objectives, or through recharge centers or specialized service facilities, as appropriate.

**Specialized Service Facilities (Service Centers) (§200.468)** - Service center fees and charges are allowable as a direct charge on a federal award when all the following criteria are met:

• The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that:
  
  o Does not discriminate between activities under federal awards and other activities of the UMS, including usage by the UMS for internal purposes
  o Is designed to recover only the aggregate costs of the services. Rates must be adjusted at least biennially, and must take into consideration over/under applied costs of the previous period(s).
  o The charge is compliant with APL VIII-N Service Centers (Draft in progress)

**Taxes (§200.470)** - In general, taxes which the UMS is required to pay and which are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable. However, in most circumstances these costs are treated as indirect costs.

In certain circumstances, taxes, including sales tax and Value Added Taxes (VAT) charged for the purchase of goods or services that the UMS is legally required to pay, is allowable as a direct cost on a federal award. To the extent that a foreign tax refund or other credit related to a direct charge on federal award accrues or is received by the UMS, that refund must be credited to the federal awarding agency as either a reduction of direct costs on the applicable award or as a cash refund.

**Travel and Related Expenses (§200.474)** - Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the UMS.
Travel related expenses are allowable as direct expenses when they provide a direct benefit to the sponsored award.

Domestic and foreign travel charged to sponsored projects must follow UMS written travel reimbursement policies unless the funding agency imposes greater restrictions.

See the UMS Travel APL IV-B Travel, Expense and Travel Card Procedures

E. Types of Cost - Normally Indirect (F&A) Costs

The UMS must treat certain costs as F&A costs. Such costs include depreciation and interest on buildings, equipment and capital improvements; operation and maintenance of plant; general administration; sponsored programs administration; library; student administration and services; and departmental administration.

Consistent with federal regulations, the UMS typically treats the following departmental administrative expenses as F&A costs:

- Routine office supplies
- Postage
- Local telephone charges
- Cellular phone charges
- Memberships
- Copying charges
- Bottle drinking water
- Home internet connections
- Salaries and wages of administrative and clerical staff (when not consider “integral” and included as a direct cost to a sponsored project)

The following section provides additional guidance for some typical costs that are normally considered indirect costs on federal awards. For a complete listing of all types of cost, please refer to Uniform Guidance – Subpart E – Cost Principles (§200.400-200.475).

Administrative and Clerical Salaries (§200.413(c)) - Administrative and clerical personnel are defined as employees who provide non-technical support services that benefit departmental, institute, center, or school activities. The services of these individuals could include: clerical support, financial management, procurement of materials and services, budget and planning, and personnel management.
The salaries of administrative and clerical personnel are normally treated as an indirect cost unless they meet the criteria of “unlike purpose and circumstance” detailed above.

Communication Expenses (2 CFR Part 200 Appendix III) - Communication expenses, including local telephone costs, must normally be treated as indirect costs. (See “Communication Expenses” in the Direct Costs section above for additional information).

Communication expenses **normally charged as indirect costs** include:

- Charges for local telephone service
- Charges for cell phones or other personal communication devices
- On-campus or home internet or network connectivity fees

General Purpose Materials & Supplies (§200.453 &200.94) - General purpose materials and supplies purchased for use by departments for all activities (such as copier charges, copy paper, office supplies and cleaning materials) are considered indirect costs and should not be directly charged to federal awards.

Memberships, Subscriptions, and Professional Activity (§200.454) - Membership dues and subscription fees for business, technical, and professional organizations and periodicals are allowable but are normally charged as indirect costs. These costs tend to be general in nature, meant to further a PI’s knowledge in his/her field, and cannot normally be identified with a high degree of specificity to an individual research project.

Membership may be charged only if it is required for conference attendance where the researcher is presenting his or her research.

Postage and Delivery (§200.473) - Postage and delivery expenses are normally treated as indirect costs unless they can be linked to a specific project.

Indirect (F&A) Rate Applicability

The UMS F&A Rate Agreement with the Department of Health and Human Services outlines the rates that may be calculated against project direct costs to determine F&A charges. Rates vary based on the type of activity performed (research and development, instruction, or other sponsored activity) and whether the work will be done on or off campus. Per the contract, “The use of the off-campus rate is determined by agreement between the University and individual grantor agencies. If projects are principally conducted on-campus with occasional trips off-campus, the project is assumed to be utilizing campus facilities and the on-campus rate is used.
If projects are principally conducted off-campus with occasional trips on-campus, the off-campus rates are used.”

For terms and conditions of the rate agreement and a list of the UMS’ federally negotiated rates, click F&A Rate Agreement. Prior year rates and a delineation of the specific type base applicable to each type of sponsored agreement activity are available at Facilities and Administrative Cost Rates.

F. Types of Costs - Unallowable

Certain expenses are unallowable as direct or as indirect costs. Costs which are unallowable shall be identified and excluded from any billing, claim, application, proposal, or chartfield combination applicable to a sponsored agreement or indirect cost pool. All unallowable costs should be identified and recorded in an unrestricted chartfield combination not included in the F&A rate development.

Uniform Guidance, Subpart E provides principles to apply in establishing the allowability of charging certain costs to sponsored programs. Subpart E addresses charges that are allowable and those that are unallowable. A summary of the specifically identified unallowable costs from Subpart E is provided below. **Sponsored programs should not be charged for:**

- Any advertising and public relations costs not specifically allowed in §200.421- including but not limited to:
  - advertising related to the general image of the UMS;
  - the cost of meetings, conventions, or other events related to instruction or other institutional activities including:
    - the cost of displays, demonstrations, and exhibits; and
    - the cost of meeting rooms, hospitality suites, and other special use facilities used in conjunction with shows and other special events; and
    - the salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
  - the cost of promotional items and memorabilia

  (However, advertising costs are allowable when the purpose is to recruit personnel or to procure goods or services for specific sponsored programs, or to otherwise meet the requirements of a sponsored agreement- please see the additional guidance on Advertising and Public Relations under the Direct Cost section above.)

- Alcoholic beverages

- Alumni activities
• Bad debts

• Certain commencement and convocation costs

• The cost of institution-furnished automobiles that relate to personal use by employees

• Contingency provisions

• Certain defense, prosecution, and other costs related to criminal and civil proceedings, claims, appeals and patent infringements

• Donations or contributions made by the institution

• Entertainment costs - including amusement, diversion, and social activities and any costs directly associated with such costs

• Certain fines and penalties

• Costs of goods or services for personal use of the institution’s employees

• Housing and personal living expenses for/of the institution’s officers

• Certain insurance costs

• Certain interest, fund raising, and investment management costs

• Most lobbying costs

• Losses in other sponsored agreements or contracts

• Costs of membership in any civic or community organization, country club or social or dining club or organization

• Costs incurred prior to the effective date of the sponsored agreement, unless approved by sponsoring agency

• Certain recruiting costs

• Selling and marketing costs

• Student activity costs
- Unreasonable travel costs, including airfare costs in excess of the lowest available commercial discount airfare except where justified and documented

- Certain termination costs applicable to sponsored agreements

For a detailed description of these unallowable costs (or of certain allowable costs), click this link to OMB Uniform Guidance, Subpart E. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost.

**DEFINITIONS AND TERMS**

**Direct Costs:** Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or F&A (facilities and administrative) costs. Where an institution treats a particular type of cost as a direct cost of all non-sponsored activities of the institution, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of sponsored agreements.

**Facilities and Administrative Costs:** F&A costs (also known as indirect costs) are those 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 allocated to the major functions of the University in proportion to the use of UMS resources. Where the University treats a particular type of cost as an F&A cost of sponsored agreements, all costs incurred for the same purpose in like circumstances must be treated as F&A costs.

F&A costs are broad categories of costs. "Facilities" is defined as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. "Administration" is defined as general administration and general expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically under one of the subcategories of Facilities (including cross allocations from other pools).

**Funding Period:** Funding period means the period of time when Federal funding is available for obligation by the recipient.
Obligations: Obligations means the amounts of orders placed, contracts and grants awarded, services received and similar transactions during a given period that require payment by the recipient during the same or a future period.

Sponsored Agreement: A sponsored agreement means any grant, contract, or similar agreement between the University and an extramural sponsor in which the University agrees to carry out a specific scope of work and the sponsor agrees to pay part or all of the costs of the work. Such scope of work may be carried out directly by the University or subcontracted, in whole or in part, as appropriate.

FREQUENTLY ASKED QUESTIONS

1. When is it appropriate to directly charge a Sponsored Agreement for administrative and clerical support?

   You may charge a Sponsored Agreement for administrative and clerical support where a project requires extensive administrative or clerical assistance, such as working with large amounts of data or producing large reports or books. The support required must be integral to the award and such expenses must also be specifically identified with and benefit the project and be listed in the approved proposal budget. You cannot charge sponsored agreements for those types of costs that are routine, such as costs for budget monitoring, recordkeeping, purchasing, personnel actions, etc. You can only charge those types of administrative costs that are specific to the project scope.

   A project no longer needs to be identified as “major;” however, the administrative salary expense needs to be integral or essential to the project in order to be directly charged. It must also be included in the approved proposal budget and justification. Most of the other requirements for direct charging salary are the same as with major projects.

2. If I know that the project is administratively intense and will need administrative and clerical support, what should I do?

   When writing your proposal, include a budget justification for categories of administrative costs, tailored to the sponsor requirements and the specific project. Explain the function of the position or cost as it directly relates to and benefits the project. Be sure to include project specific details to highlight the activities that make the administrative support integral to the sponsored project.

3. If we can’t charge administrative assistance to this grant, can we provide, for example, 10 hours a week of a clerical person’s time as UMS cost-share?
No. You can only provide administrative assistance as cost-share if that assistance is integral to the sponsored project. The same requirement to be "integral" to the project must be met that would permit charging such assistance as a direct cost to the sponsor.

4. Is it ever appropriate to direct charge postage to a Sponsored Agreement?
Yes, when the scope of the project demands exceptional expenditures for postage and the cost of postage is included in the grant budget.

5. The PI on this award is going to a meeting in another state. While there, he will report on results of two separately funded research projects. He will also meet with a collaborator to plan a joint application for renewal funding of a third project. To which projects are his travel costs properly allocable?

The travel costs should be reasonably determined for the three projects that benefited. One way to calculate such costs would be to determine the percentage of time spent on each task and prorate the costs accordingly. The cost that related to the renewal funding on the third project is, however, a departmental cost, and should not be charged to a sponsored project chartfield combination.

6. We have a federal grant for an eight-week summer seminar for high school teachers, drawn from around the country. The grant provides stipends to the participants to cover their travel, housing, meals, and other seminar-related expenses. We plan a reception for them on the evening of their arrival date and a banquet on their final day. Can we charge the costs of food, honorariums, and a band or disc jockey for these two events to the grant, or are they considered "entertainment?" And where shall we charge the costs of the beer and wine we'll serve?

If the reception and the banquet have been justified in the proposal as beneficial to the project, and if their costs have been explicitly requested of and approved by the sponsor, then those costs may be charged. The initial reception, for example, might be justified as a particularly appropriate means for seminar participants to first become acquainted with each other and/or to begin to develop important contacts. A band or DJ might be difficult to justify as something other than entertainment, therefore, unless such justification can be found, such costs may not be charged to the grant. The alcohol costs may not be charged to the grant.

7. I am purchasing a piece of equipment through my department's budget but I need more money and I have some left over in a sponsored project. Can I charge the sponsored project?
No. You may charge to the sponsored project only those costs that benefited the sponsored project.

8. What type of membership costs may I charge to a project funded by a grant?
   Each membership cost needs to be looked at on a case by case basis. Memberships may only be charged to a sponsored project in those instances where the membership purpose fits the scope of the project and is included in the budget. The membership period also needs to coincide with the period of the project. Costs of membership in any civic or community organization or any country, social or dining club may not be charged to a grant-funded project.

9. Is insurance for research equipment an allowable cost?
   Generally speaking, insurance should not be direct charged to a grant. Insurance for the grant period could be charged if it were 100% allocable to the grant, otherwise, directly charging such expense to the grant would not be appropriate.

10. I haven't used all of my budgeted labor funds. May I use them for other grant-related purchases?
    Whether you can use these dollars for other grant-related purposes depends on the specific terms and conditions of the grant and sponsor. Contact your Sponsored Programs Office, or other designated personnel for guidance in this area.

RELATED DOCUMENTS

Accounting for Grants and Contracts - business process document

APL VIII-B Restricted Expendable Funds Guidelines
APL VIII-E Effort Certification
APL VIII-K Cost Transfers

F&A Rate Agreement - link to negotiated rate agreements for current and recent years.

F&A Cost Rates - link to F&A rates for current and recent years.
HISTORY OF POLICY

Issue 2: Effective 06/28/2006 (replaces FAST terms with PeopleSoft terms)

Issue 3: Effective 04/02/2007 (incorporates Compliance/Risk Assessment recommendations, expands “reasonable” cost definition, expands “allocable” cost definition, adds “Policy” section and “History of Policy” section)

Issue 4: Effective 08/21/2007

Issue 5: Effective 12/26/2014 (updates regulatory references for OMB Uniform Guidance and updates the requirement for the direct charging of expenses normally considered F&A)

APPROVED

Signature on file in the Office of Finance and Administration

Vice Chancellor for Finance and Administration