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REVISION:

Page 1 of 4

SECTION: FINANCE DEPARTMENT

AREA: RESTRICTED FUND ACCOUNTING

SUBJECT: DIRECT CHARGING COSTS TO FEDERAL GRANTS

PURPOSE:

The purpose of this policy is to establish the guidelines and procedures for direct charging expenses to federal grants, contracts, and subawards at UAMS. This policy establishes costing procedures that are in accordance with OMB Circular A-21. The Cost Accounting Statements (CAS), incorporated within A-21 stipulate criteria that determine the appropriateness of direct charging expenses to federally sponsored projects. These criteria include allowability, reasonableness, allocability, and consistent treatment in like circumstances.

DEFINITIONS:

Allowability – 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.

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.

Allocability – 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 which represents the direct benefit to that project.

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.

Consistency – Similar costs are treated as direct or F&A costs when incurred in like circumstances. Costs that are 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 UAMS 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.

Major Project – Large complex programs such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers, and 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”.

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 direct or F&A costs. Where UAMS 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.

Costs charged to federally sponsored projects which result in inconsistent treatment of direct costing practices will be documented with 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.

Examples of Costs that are NOT Normally Considered as Direct Costs at the University of Arkansas for Medical Sciences

At UAMS, the following costs are NOT normally budgeted and charged as direct costs of sponsored projects:

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**

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**

Examples of Costs that ARE Normally Considered as Direct Costs at the University of Arkansas for Medical Sciences

At UAMS, 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:

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

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**

Capital equipment and service/maintenance agreements on capital equipment that is approved by the sponsor (or internally approved if allowed by the sponsor).

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 Office of Research and Sponsored Programs 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.

- Clerical and administrative salaries
- Office Supplies
- Copier Paper
- Toner/Ink Cartridges
- Postage
- Telephone/cell phone/pagers
- Memberships
- 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 UAMS 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 ORSP 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

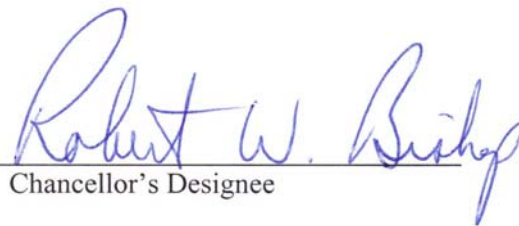
Sections: C11, D1, F6b(1,2,&3), J18, Exhibit C and CAS 9905.502

Link to OMB Circular A-21

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

SIGNATURE: _____

Chancellor's Designee



DATE: July 3, 2008