I. Scope

This guideline establishes the requirements for recording direct and indirect costs on the financial accounting records of the University in accordance with Federal regulations and generally accepted accounting principles on a consistent basis. The guideline also establishes the responsibility of the Principal Investigator (PI) and the Director of the Office of Research (Authorized Institutional Official) to ensure the accuracy and integrity of the direct and indirect costs proposed on sponsored projects. In addition, the Department Chair and Departmental Administrator are responsible to ensure that direct and indirect costs are properly identified and recorded by their respective departments. Finally, this guideline establishes the responsibility of the Director of Research/Cost Accounting to provide departmental support on direct charging issues related to OMB Circular A-21, and to perform periodic reviews to ensure compliance and integrity of the University’s accounting records for grants and contracts. The University’s guideline on direct and indirect costs applies to all faculty and staff who record costs on the accounting records of the University. It also applies to all sources of University funding including unrestricted, restricted, endowment and plant funds.

II. Guideline

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (Facilities & Administration) costs. Where an institution treats a particular type of cost as a direct or indirect cost, all costs incurred for the same purpose in like circumstances must be treated the same for all activities of the institution. For example, administration and clerical salaries are treated as indirect costs at the University because they benefit multiple activities such as instruction, research and other institutional activities. This accounting practice is disclosed accordingly in the University’s Cost Accounting Standards Disclosure Statement. Care must be taken to ensure that a cost is recovered once and only once from a single sponsor as either a direct or indirect cost of a sponsored award to avoid the double recovery or “double counting” of costs.
II. Guideline (con’t)

Identification with a sponsored agreement, rather than the nature of the goods and services involved, is the determining factor in distinguishing direct from indirect costs of sponsored agreements. If a cost can be identified directly to a sponsored project, it must be charged directly to that project. If a cost is incurred for common or joint objectives and cannot be identified to a specific project, program or organizational activity, the cost must be charged as indirect or F&A expense.

Appendix I of this guideline lists typical costs charged directly to a sponsored agreement or indirectly as facilities and administration expense as disclosed in the University’s Cost Accounting Standards Disclosure Statement submitted to the U.S. Government.

Consequences of noncompliance with the proper recording of direct and indirect costs can result in the assessment of fines and penalties to the University. Proper recording of direct and indirect costs in the University’s accounting records facilitates the accounting for sponsored projects and the preparation of the University’s indirect cost rate. On a test basis, the Office of Financial Information will perform periodic reviews of the recording of direct and indirect cost transactions to ensure consistency and compliance with this guideline.

At the Department level, “Departmental Administration Expenses” represent those expenses that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives such as instruction, other institutional activities and sponsored research. The salaries of administrative and clerical staff must normally be treated as indirect or facilities and administrative expenses.

An exception to this rule may occur where a department receives a sponsored award that represents a “major project or activity”, as defined by OMB Circular A-21 F. 6. b. (2) and Exhibit C of Circular A-21. The decision as to whether administrative and clerical costs constitute direct costs on a “major program” must include a determination as to whether the administrative costs are:
II. Guideline (con’t)

- material or extensive
- explicitly budgeted, proposed and justified in the grant application or contract proposal to the satisfaction of the awarding agency and subsequently approved by such agency
- identified specifically with a particular sponsored project relatively easily with a high degree of accuracy
- based on the facts and circumstances surrounding the individual grant or contract and not on departmental budget considerations

Such costs would constitute costs incurred for the same purpose, but under different or unlike circumstances and would represent allowable direct costs to the major project or activity.

Budgeted levels of administration and clerical support approved by the sponsor does not necessarily constitute acceptance of the support as a boni-fide direct cost nor acknowledgement that the award constitutes a “major program”. It is the University’s responsibility to ensure that costs budgeted and charged to a sponsored agreement are allowable, allocable and reasonable in accordance with Federal regulations and not the responsibility of the Federal agency or other sponsor.

The U.S. Government provides examples of extensive amounts of administration and clerical services in Exhibit C of OMB Circular A-21 as follows:

- 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
- projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature and reporting such as epidemiological studies, clinical trials, and retrospective clinical records studies
- projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars
II. Guideline (con’t)

- projects where the principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports)
- projects that are geographically inaccessible to normal departmental administrative services, such as seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus
- individual projects requiring significant amounts of project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, Institutional Review Board preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications

The following would not represent extensive amounts of administrative and clerical services and would therefore not qualify as a major project or activity:

- “Budgeted” levels of administrative and clerical support on grants and contracts dissimilar to the examples previously presented
- Routine levels of administration, clerical and accounting support that do not represent extensive amounts of administrative activity
- Administrative and clerical effort that cannot be specifically identified to a particular grant or contract relatively easily with a high degree of accuracy
- Receipt of numerous additional grants and contracts increasing overall departmental administrative workload with no one contract having greater administration than any other departmental contract

III. Definitions

**Authorized Institutional Official** – the University’s designated administrative sponsored awards official responsible for assuring compliance with applicable terms and conditions of the award, conformance with administrative, scientific and fiscal information, and accountability for the appropriate use of funds awarded and for grant performance. At the University, this individual is the Director of the Office of Research.
III. Definitions (con’t)

Departmental/Research Administrator – the individual designated by the department or Principal Investigator who is responsible for the financial accounting, budgeting and administration of the department’s sponsored awards.

Department Chair– the individual designated by the Dean of the school who is responsible for the General financial and administrative oversight of grant and contract activities conducted within the respective School or College.

Direct Cost – 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.

Indirect or Facilities and Administrative (F&A) Costs – 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.

Principal Investigator – the individual designated by the sponsoring agency who is responsible and accountable for the proper conduct and direction of the project or activity. At the discretion of the Dean, a principal investigator for sponsored programs is typically a tenured or tenured stream faculty but can also include other members of the academic community such as research associates or non-tenure stream research/clinical faculty.

IV. References
OMB Circular A-21 C. 11.
OMB Circular A-21 D. & E.
OMB Circular A-21 F. 6. b.
OMB Circular A-21 Appendix A. CAS 9905.502
PHS Grants Policy Statement
NIH Grants Policy Statement
NSF Grants Policy Statement
APPENDIX I

Typical costs charged direct to a sponsored agreement include:
- Employee compensation for work performed on the sponsored agreement
- Related fringe benefits
- Material costs purchased for and expended on the project performance
- Material costs supplied from inventory and expended on the project performance
- Travel costs proposed and incurred on project performance
- Telephone toll charges identified to the project
- Costs of animals
- Specific purpose equipment proposed on and required exclusively for a particular project
- Computer equipment proposed on and required exclusively for a particular project
- Administrative or clerical services identified with a "major project" as defined by Exhibit C of OMB Circular A-21 F. 6. b. (2)
- Cost of subcontractors and consultants and other purchased services
- Laboratory supplies or issues from stores inventory specifically identified to a sponsored project
- Costs of publishing reports, manuscripts and other documents required by the sponsored agreement
- Specialized service facilities charges

Typical costs charged indirect as facilities and administration include:
- Administrative, support or clerical salaries
- Related fringe benefits
- Office supplies
- Postage
- Local telephone costs and equipment and line charges
- Memberships and dues
- Travel costs not specifically identified to a specific sponsored project
- Computers used for general office or multiple sponsored project use
- General operating and maintenance expense
- General purpose lab and test equipment
- General or routine copying charges; or immaterial copying charges not worthwhile tracing to specific sponsored awards