

**Office of Sponsored Programs**  
Budgetary and Cost Accounting Procedures

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**1. Purpose and Services**

**Purpose**

The purpose of the Budget and Cost Accounting Procedure is to state the general policies and procedures followed by the University of West Alabama in managing the post-award activities of contracts and grants. The information is as complete, current, and informative as possible, it can in no way be all inclusive. The University intends for this information to be used as a guide and not as a substitute for awarding agency interpretations or specific award requirements.

**Services**

The following activities are performed by the Office of Sponsored Programs (OSP) for each sponsored agreement:

- Provide required training for new Project Administrator/Principal Investigator and key personnel of the allowable costs and post award requirements for the individual agreement.
- Create the approved, original budget on UWA internal budget form
- Forward executed budget form to the Office of the Comptroller to create new University account number to be established in Ellucian (UWA financial accounting software)
- Distribute new award notification information, including cost share requirements to the Principal Investigator, College Dean, and Office of Comptroller.
- Monitor expenditures on the awards
- Should cost transfers be necessary, document accordingly why costs were not originally applied to the established grant account number
- Prepare required agency's financial reimbursement request and /or reports,
- Send end date notification at least 30 days prior to award ending

## 2. Definition of Terms

The following definitions are subdivided into three categories:

- A. Types of funding support
- B. Source of funding
- C. Commonly used terms in management of contracts and grants

### A. Types of Funding Support

**Contracts--** A contract is a legally binding agreement between one or more sponsor and the University. The terms of the agreement outline specific goals and requirements for goods and/or services to be provided to the sponsor by the University. It is routine for these goods or services to be provided on a specific schedule. The relationship between the sponsor and the University is one of procurement. This type of arrangement is not considered for public use but for the direct benefit or use of the sponsor. (Also see "Fixed Price Contract" in section C below.)

**Grants--** A grant agreement is a legal instrument used when the principle purpose is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulation. Grants are based on an application submitted by UWA.

**Cooperative Agreements--** A cooperative agreement is used when substantial sponsor involvement is anticipated in the management and/or performance of the sponsored activity. In all other respects, a cooperative agreement is a grant-type instrument.

**Sub Award--** A sub award is an agreement that assigns some of the obligations of an award to another party. The sub award can originate from a contract or a grant. The terms of the obligations are outlined in the same manner as described under contracts or grants.

### B. Source of Funding

The four major sources of funding from which the University receives sponsored agreements are as follows:

**Federal--**sponsored agreements funded directly by the Federal government.

**Federal Pass-Through--**sponsored agreements where the University is not the prime recipient from the Federal government, but is acting in the capacity of a sub award recipient (federal requirements/restrictions are passed through the prime recipient from the federal government to the University).

**State--**sponsored agreements funded directly by the State of Alabama or any other state. This type of funding is reimbursed to the University by the revenue the state receives and not by funds

pass thru from the Federal government.

**Private** --sponsored agreements funded by private entities such as foundations or corporations.

### **C. Commonly Used Terms in Management of Contracts & Grants**

**Allowable Cost**-- For purposes of OMB 2 CFR 200.403 Uniform Guidance, an expense that can be necessary and reasonable, and allocable; conform to any limitations or exclusions set forth in the cost principles or the award; be consistent with policies and procedures afforded all activities of the organization; be accorded consistent treatment; be determined in accordance with GAAP; not be against the law; not already be included in a cost sharing or matching requirement; be net of applicable credits; be adequately documented.

**Budget** -- Project Director/Principal Investigator financial plan that lists the categories of expenditures and the estimated dollar amounts required to carry out a project's objectives. Originated by Project Director/Principal Investigator.

**Budget Period** -- An interval of time by which the project period is divided for budgetary purposes. This will be established in the award document of a beginning and ending dates.

**Carryover (carry forward)** -- The remaining available budget balance of a project that may be used to increase the budget of the next budget period. Carryovers are not automatic and are not always allowed by funding agencies.

#### **Cost Accounting Standards - (CAS)**

CAS requires consistency in estimating, accumulating and reporting costs. The University must comply with the following four CAS standards:

- **CAS 501**-- Consistency in estimating, accumulating and reporting costs. The purposes of this standard are to (1) assure consistency in estimating, accumulating, and reporting costs as well as (2) provide a basis for comparison of such costs. The same practices should be used when estimating costs for the proposed budget, accumulating costs in the accounting system and reporting costs to the sponsor.
- **CAS 502**-- Consistency in allocating costs incurred for the same purpose. The University is required to charge similar costs in the same manner, either as direct costs or indirect costs. The University's policy regarding some common types of costs can be found in a table in section 8, Costing Guidelines for Sponsored Agreements
- **CAS 505**-- Accounting for unallowable costs. This standard does not include additional guidance on unallowable costs. Educational institutions will, therefore, continue to follow 2 CFR Part 200 for guidance on what is unallowable.
- **CAS 506**-- Cost accounting period. An educational institution must use either its fiscal year or a fixed annual period approved by the government as its cost accounting period. The University uses its fiscal year which is October 1st - September 30th.

**Cost Reimbursable Contract** -- A cost reimbursable contract provides for payment to the University based on the University's actual cost experience in performing and completing the contract.

**Cost Sharing or Matching** -- The sharing of the costs of a sponsored agreement by the University. Matching is typically done on grants, not contracts. Matching can either be provided by released time, cash, indirect cost differential, or a combination of all. Matching accomplished through the first two (release time and cash) must be recorded in a separate University account.

**Direct Cost** -- Cost that can be clearly identified and directly allocated to a specific sponsored agreement. A more detailed definition is found in the Direct Costs section 7 Costing Guidelines for Sponsored Agreements, part D.

**Disbursement** -- Payment made by the University for goods and services.

**Encumbrances/Obligations** -- The dollar amount of items ordered, services rendered, contracts awarded, or similar purchases that are outstanding or unpaid.

**Equipment** -- is considered an item of nonexpendable, tangible property having a useful life of more than one year and acquisition costs which equals or exceeds the lesser of capitalization level established by the institution for financial statements purposes, or \$5,000. Refer to the awarding document or solicitation whether equipment is an allowable expense.

**Fixed Price Contract** -- A firm fixed price contract provides for a payment to the University that is not subject to any adjustment on the basis of the University's cost experience in performing and completing the contract, i.e., billings are not based on actual expenditures. Note: Residual funds remaining at the end of the project will be transferred to the P.I./P.D.'s appropriate recovery account.

**Indirect Cost** -- Costs associated with sponsored agreement that cannot be clearly identified with or allocated to an individual project. A more detailed definition is found in the Indirect Costs section 8, Costing Guidelines for Sponsored Agreements.

## **Office of Management and Budget Circulars - (OMB)**

**2 CFR Part 200**-- This guidance provides a government-wide framework for grants management. This guidance supersedes and streamlines requirements from OMB Circulars, A-21, A-87, A-110, and A-122. This final guidance does not broaden the scope of applicability from existing government-wide requirements, affecting Federal awards to non-Federal entities including state and local governments, Indian tribes, institutions of higher education, and nonprofit organizations.

- **Subpart A**- Acronyms and Definitions Contents
- **Subpart B** – General Provisions Contents
- **Subpart C** – Pre-Federal Award Requirements and Contents of Federal Awards Contents
- **Subpart D** – Post-Federal Award Requirements Contents
- **Subpart E** – Costs Principles Contents
- **Subpart F** – Audit Requirements Contents

**Principal Investigator / Project Administrator - (PI / PA)** – The University of West Alabama employee that has direct responsibility for carrying out the requirements of a sponsored agreement for producing the final technical report and for providing the required deliverables.

**Pre-Award** is considered to be activity prior to official funding of a sponsored agreement. These activities are performed by the Office of Sponsored Programs and includes the following pre-award functions:

- Grant proposal development, coordination, and submission to funding agency;
- Identify funding sources
- Execution of award documents

After funding, the Office of Sponsored Programs will request agency prior approval for:

- Certain budget amendments;
- Program changes;
- No-cost extensions.

**Post-Award** activity begins with the official funding and continues until the award is closed. Post-award activities are performed by Office of Sponsored Programs in conjunction with the Office of the Comptroller which is detailed in Section 1 Purpose and Services.

**Project--** The services, research, or activities, mutually agreed upon, that the sponsored funding recipient will provide for a specified period of time.

**Sponsored Agreement/Award--** Any contract, grant, or other agreement where the use of funds is restricted by the funding agency and there is some action required by the University.

**Supplies--** Expendable items having a purchase price of less than \$5,000 per unit that will be used for the performance of the sponsored agreement to achieve the goals outlined in the proposal.

**Total Project Cost--** The cost of a sponsored agreement is comprised of allowable direct costs associated with the project performance and the allocable portion of the allowable indirect costs of the institution. This includes both the sponsor's share and the University's share (matching or cost share).

**Unallowable Cost--** For purposes of 2 CFR Part 200, an expense that cannot be included in the indirect cost rate proposal and cannot be charged as a direct cost to federal sponsored agreements. See the Federal Unallowable Costs section in part 8, Costing Guidelines for Sponsored Agreements, for more information and a list of costs specifically excluded by government regulations.

### **3. Budget Items**

#### **Original Budget**

The original budget that was submitted and approved by the funding agency is established by the completed budgetary form <INSERT LINK > submitted to the Office of Comptroller and entered into the University's Ellucian financial software system by the Office of the Comptroller.

#### **Revision of Budget and Program Plans**

Section 2 CFR 200 Subpart D. 200.308 states "For non-construction awards, recipients shall request prior approvals from Federal awarding agencies for one or more of the following program or budget reasons.

1. Change in the scope or objective of the project or program (even if there is no associated budget revision requiring prior written approval).
2. Change in a key person specified in the application or the Federal award.
3. The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
4. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with Subpart E—Cost Principles of this part or 45 CFR part 75 Appendix IX, "Principles for Determining Costs Applicable to Research and Development under Awards and Contracts with Hospitals," or 48 CFR part 31, "Contract Cost Principles and Procedures," as applicable.
5. The transfer of funds budgeted for participant support costs as defined in 200.75 Participant support costs to other categories of expense.
6. Unless described in the application and funded in the approved Federal awards, the subawarding, transferring or contracting out of any work under a Federal award, including fixed amounts subawards as described in 200.332 Fixed amount subawards. This provision does not apply to the acquisition of supplies, material, equipment or general support services.
7. Changes in the approved cost-sharing or matching provided by the non-Federal entity.
8. The need arises for additional Federal funds to complete the project.

All requests for budget revisions that require prior approval from the funding agency should be forwarded to the Office of Sponsored Programs. If and when the revision is approved by the agency, OSP will notify the appropriate PI/ PA and the Comptroller's Office.

Any budget change must include an adequate explanation which answers the following questions:

- Why are funds available in the current line item?
- Why are funds needed in the new line item?

Note: Seldom can the University approve shifting of funds for tuition, stipends, or any type of participant funding without prior approval from the awarding agency.

## **4. Travel**

Travel reimbursement on Federal and Federal pass-through sponsored agreements are subject to the following:

- When traveling by air, a "U.S. flag air carrier" must be used. However, an exception will be made for international flights where a U. S. flag air carrier is not available.
- Sufficient explanation on travel vouchers must include the purpose of travel as it relates to the scope of work for which the sponsored agreement is awarded.

Please refer to The University of West Alabama's Travel Policies for additional information and/or University policy requirements before you travel.

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## **5. Effort Certification**

### **Effort Reporting**

#### **A. General**

The University of West Alabama requires certification of the percentage of time (i.e. effort) that each employee devotes to sponsored projects. There are several reasons for this policy. Federal guidelines require that each institution maintain an accurate system for reporting the percentage of time that employees devote to federally sponsored projects as a condition to receive Federal funding. Federal and state agencies, private foundations, industry, and other organizations provide significant funding to enable the University to conduct public service, training, and research projects. The University's effort reporting assures and properly documents to the external sponsors that funds are properly expended for the salaries and wages of those individuals working on the projects they sponsor. It provides the principal investigator means for certifying that the salaries and wages charged to sponsored projects are consistent with the effort contributed. All employees involved in certifying effort must understand that severe penalties and funding disallowances could result from inaccurate, incomplete, or untimely effort reporting.

#### **B. Policies and Procedures**

The Federal Government, through the Office of Management and Budget (OMB) 2 CFR 200 subpart D 200.430 Compensation – personal services requires effort certification on federally-sponsored activity. In order to receive and maintain eligibility for funding, sponsoring agencies require accurate and reasonable documentation. Labor charged to sponsor accounting units must be consistent with the effort expended. This certification is reviewed for two purposes:

1. Verify the percentage of effort of a federal award is equivalent to the percentage of salary charged to the accounting unit, and

2. Capture voluntary cost sharing by indicating an excess percentage of effort as compared to the percentage of salary allocated on federal award budget.

This Effort Certification Policy is intended to meet Federal requirements.

### **C. After-the-Fact Reporting**

The University of West Alabama uses an *After-the-Fact Activity* method to comply with the Federal Effort Certification Requirement. Under an *After-the-Fact* method, distribution of salaries and wages for employees working on externally-funded projects is supported by activity reports. *Charges (expended salaries)* are made initially on the basis of *estimates* provided before the services are performed. Activity reports reflect an *After-the-Fact* documentation of the actual percentage distribution of activity of employees. If significant (>10%) differences between the charges and actual distribution, the charges will be promptly adjusted to reflect actual activity.

### **D. Employee Effort Certification Reports**

Employee Effort Certification Reports will reasonably reflect the percentage distribution of efforts expended by UWA faculty and professional staff involved in federally-funded grants, contracts, and cooperative agreements. The report will account for 100% of an employee's actual effort for the given time period.

- *100% effort* is defined as the effort expended to accomplish the full set of activities encompassed by UWA appointments.
- 100% effort is not defined as a single, standard number of hours or days per week because it is different for each faculty/staff member and may vary during the year.
- The number of hours implicit in an individual faculty member's 100% must be reasonable and supportable to department, school, college and external reviewers if requested.

The employee should indicate the percent effort (number of hours worked on an individual activity divided by the total number of hours worked for UWA) for all federally-sponsored research and curricular (i.e., instruction, administration, public service) activities.

### **E. Cost Share**

The employee should provide an account of all effort expended on a sponsored activity, even if the sponsor did not compensate the employee for that activity, which constitutes *cost sharing*. This can occur on a mandatory or voluntary basis. Mandatory cost sharing occurs when it is

required by the sponsor according to the grant guidelines. Voluntary cost sharing represents additional effort expended on a project that is not required by the sponsor. The Principal Investigator (PI) must record all effort expended on their projects regardless of the source of compensation. All university cost sharing should be tracked and reported separately.

#### **F. Other Items of Note**

1. When a PI is absent in excess of 90 days from his/her project, approval must be obtained from the sponsoring agency.
2. Changes in effort require approval from the appropriate Dean and the Sponsoring Agency and reported to the Office of Sponsored Programs.
3. Time spent in the preparation of proposals cannot be charged to the grant and/or the sponsoring agency. It is not allowable for an employee to be paid from sponsored accounting units to prepare and submit proposals.

#### **G. Reporting Procedures**

Employee Effort Certification Reports are required for three reporting periods, once each semester. Effort Certification Report requests will be distributed to all applicable employees approximately 15 days prior to the close of a reporting period. Original completed reports must be submitted to the Office of Sponsored Programs no later than 15 days after the reporting period closes. Each college or department is required to keep a copy of the reports. The reporting periods and approximate submittal deadlines are provided as follows:

1. Fall (August 1 – December 31); submittal deadline – January 15th
2. Spring (January 1 – April 30); submittal deadline – May 15th
3. Summer (May 1 – July 31); submittal deadline – August 15th

#### **H. Special Notes**

1. Employee Effort Certification reports do not need to be completed by clerical staff or students who complete weekly time sheets.
2. Principal Investigators/Project Administrators will be required to verify that the information provided by any employees working on their grants is accurate.

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## **6. Costing Guidelines for Sponsored Projects**

### **A. General Procedures**

The basic regulations for determining the costs of federally sponsored agreements at educational institutions are set forth in Office of Management and Budget (OMB) 2 CFR 200 Cost Principles for Educational Institutions. The Circular can be found at [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

This section is intended to express some of the most significant requirements of 2 CFR 200 accounting practices the University follows in order to comply with them. The Federal government, and therefore the University, places the primary responsibility for meeting these requirements with the Principal Investigators (PI's)/Project Administrator (PA) of the sponsored project. The Office of Sponsored Programs will provide training, guidance and oversight to the PI/PA of the sponsored agreement in order to assist them in adhering to the agreement and Federal guidelines. See section 11. Post Award Training for information regarding available training in the implementation of Cost Accounting Standards.

All costs charged to the federal government must meet the following criteria:

- 1) They must be **reasonable** -- A prudent person would have purchased the item and paid the same price given the circumstances at the time.
- 2) They must be **allocable** -- The goods or services involved are chargeable or assignable to the sponsored agreement in accordance with the relative benefits received.
- 3) They must be given **consistent treatment** -- The expenditure must be treated the same way (throughout the University) as those that are for a similar purpose, in like circumstances.
- 4) They must not be **unallowable** -- The expenditure must not be specifically excluded by government regulations or sponsored agreement requirements.

## **B. Allocable Costs**

A cost is allocable if it benefits only one project or activity, if it benefits two or more projects or activities in proportions that can be determined without undue effort or costs, or if it benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved. When the cost pays for something that benefits two or more projects or activities and, without undue effort or administrative expense, a distribution can be devised which reasonably reflects the proportional distribution of the benefit of the cost, the cost should be allocated based on the proportional benefit. When the cost is clearly a direct cost of a group of projects but the projects are scientifically or technically related such that the proportional benefit rule is impractical, the cost may be distributed among the projects on any reasonable basis.

## **C. Consistent Treatment of Costs**

The operation of the University requires costs that pertain to specific projects as well as general costs. For administrative and accounting purposes these costs are grouped into two categories - direct and indirect. Some costs, however, are not discretely direct or indirect and may appear in either category, depending on the circumstances. Treatment of cost should be consistent in the

manner of charging sponsored agreement for items the university would normally charge in conjunction with normal operating items across department lines. For example University printing charges a rate to departments on campus for printing of brochures or manuals, etc. Should a sponsored agreement need to use the same services it should be charged that consistently what the printing department would charge a department. If the University department, Office of Information Systems does not charge for its service to the department for technology support, then the award cannot be charged for the same type service.

## **D. Direct Costs**

Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional 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 costs. Where an institution 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.

The above statement implicitly makes the point that charges to a sponsored project should support the project's purpose and activity and represent those costs necessary to meet the project's scientific and technical requirements. Such charges cannot be assigned arbitrarily or for the purpose of simplified budget management that is unrelated to the sponsored agreement's purpose.

### **1) Additional Criteria for Determining Direct Costs**

- a) The cost must be included in the awarded budget, or the cost must be permitted within budget modification authority granted by the sponsor. When preparing applications for sponsored projects, the PI/PA usually submits a detailed budget. This budget includes line items such as salaries and wages, benefits, travel, supplies, and other direct costs. The award reflects approved budgeted items and becomes a part of the agreement between the University and the sponsor. Only those costs that are included in the budget or modified costs allowed by the sponsor should be charged. If the cost requires institutional and/or sponsor prior approval after the award is made, the approval must be secured before the cost is incurred.
- b) The cost must not be restricted by the sponsor. Costs that are restricted or unallowable as indicated in the award notice or sponsor guidelines may not be charged to a sponsored project.

### **2) Documentation of Direct Costs**

- a) The cost must be identified with activity in the sponsored agreement to which the cost is charged. For example:

1. Long Distance telephone and fax costs should be linked to the sponsored agreement by means

of a manual log or analyzing the long distance phone bill and allocating costs.

2. Purchases for a specific sponsored agreement must identify the grant's account number on the requisition, purchase order, or other payment document.

- b) Documentation that links the cost incurred to the sponsored agreement activity should be done by someone who is in a position to know the sponsored agreement activity; e.g., the person who is making the long distance telephone call or the person designated by the principal investigator to purchase goods and services for that particular project.
- c) Documentation must be maintained for a period of three years following the date the final expenditure report is submitted to the sponsor. If any litigation, claim or audit is started before the expiration of the three year period, the records must be retained until all issues are resolved and final action taken.
- d) Only actual costs may be charged to the sponsored agreement.

### **3) Unacceptable Direct Costing Practices**

**The following direct costing practices are unacceptable because they do not meet standard for a "high degree of accuracy" in the assignment of costs to sponsored agreements:**

- a) Rotation of charges among sponsored agreements by month without establishing that the rotation schedule credibly reflects the relative benefits to each sponsored agreement;
- b) Assigning charges to the sponsored agreement with the largest remaining balance;
- c) Charging the budgeted amount rather than charging an amount based on actual usage;
- d) Assigning charges to a sponsored agreement in advance of the time the cost is actually incurred;
- e) Identifying a cost as something other than what it actually is, such as classifying a supply as an item of equipment;
- f) Charging expenses exclusively to sponsored agreements when the expense has supported non-sponsored agreement activities;
- g) Direct assignment of charges that are part of normal administrative support (indirect costs) of sponsored agreements (e.g., accounting, payroll).

### **E. Indirect Costs or Facilities and Administrative (F&A) Costs**

200.414 Indirect (F&A) costs.

Facilities and Administration Classification. For major IHEs and major nonprofit organizations, indirect (F&A) costs must be classified within two broad categories: "Facilities" and "Administration." "Facilities" is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable). For nonprofit organizations, library expenses are included on the "Administration" category; for institutions of higher education, they are included in the "Facilities" category. Major IHEs are defined as those required to use Standard Format for Submission as noted in Appendix III to Part 200 – Indirect (F&A) Costs Identification

and Assignment, and Rate Determination for Institutions of Higher Education (IHEs) paragraph C. I.I Major nonprofit organizations are those which receive more than \$10 million in direct Federal funding.

**At the college and department level "salaries of administrative and clerical staff... (and) items such as office supplies, postage, local telephone cost, and memberships shall normally be treated as F&A costs"(indirect costs). (A-21, F.6.B) Costs incurred for the same purpose in like circumstances must be consistently treated by the University as either direct or indirect.**

### **1) Charging Normally Indirect Costs to Sponsored Projects**

OMB Circular does not absolutely prohibit costs identified by the institution as normally indirect from being charged directly to a sponsored agreement. However, strict criteria must be met.

Costs normally treated by the University as indirect may be charged to a sponsored project when **ALL** of the following conditions are met:

- a) The costs can be readily identified specifically with the project with a high degree of accuracy; and
- b) The costs are incurred for a different purpose or circumstance, as described in the section below titled "Special Purposes or Circumstances where Direct Charging of Costs Normally Treated as Indirect Costs May Be Appropriate".
- c) The cost is explicitly budgeted, with justification, and awarded:
  - 1) The cost is separately budgeted in the proposal budget (note that for certain fixed-price funding arrangements a detailed budget is not required by the sponsor, however, the internal budget should reflect the cost);
  - 2) The budgeted amount reflects a realistic estimate of the cost and, in the case of salary, the percent of effort;
  - 3) A reasonable justification is given for the cost. In the case of federal agency sponsors the "Budget Justification" section of the proposal should state that the costs are normally treated as indirect by the institution, but are being requested due to a special purpose or circumstance. A detailed explanation of the special purpose or circumstance must be clearly outlined in the "Budget Justification" section.
  - 4) The sponsor approves the item in the award. Since these items are specifically set forth in the proposal, it is assumed that the sponsoring agency has approved this exceptional treatment of administrative and clerical salaries or other costs normally treated as indirect if they accept the proposal, fund the project and do not prohibit the cost on the notice of award. It is the principal investigator's responsibility to notify the Office for Sponsored Programs (OSP) of any changes made to the proposed budget in pre-award negotiations with the sponsor in which OSP did not participate. Note that the determining factor in classifying salaries of administrative and clerical staff as direct costs must relate to the different work they perform to meet the exceptional requirements of the project as compared to that of administrative and clerical staff who perform work related to routine departmental or general institutional administration. Generally, a project that requires more of the same type of administrative support as that required for routine departmental

or institutional administrative support would not meet the criteria of a different purpose and circumstance.

## **2) Special Purposes or Circumstances Where Direct Charging of Costs Normally Treated as Indirect Costs May Be Appropriate**

- a) Special Purposes -- Charging a normally indirect cost as a direct charge to a sponsored project **may** be approved when the purpose for the item is unlike that for which it is normally used. In order to meet documentation requirements, an explanation of the unlike purpose must be provided to Contract and Grant Accounting by the department for each case.
- b) Special Circumstances -- Charging normally indirect costs as direct charges to a sponsored project **may** be approved for projects that involve the following circumstance: *Please note that one through three refer to the primary source of funding (i.e. not the pass through of federal funds by these types of sponsors).*
  1. Industrial/Commercial -- Projects sponsored by these organizations are proposed and awarded for the joint benefit of the sponsor and the University. Direct and indirect costs are assigned to projects based on the agreement between the sponsor and the University.
  2. Foundations and Non-For-Profit Agencies and Associations -- Projects sponsored by these organizations are proposed and awarded for the joint benefit of the sponsor and the University. Direct and indirect costs are assigned to projects based on the agreement between the sponsor and the University. The guidelines of these organizations specify the costs to be charged to a project.
  3. State Sponsored Agreements -- The University complies with state agency regulations and statutory requirements.
  4. Training Grants -- Since training grants are for a different purpose (training) than a traditional public service or research project, these project budgets may include costs that are normally considered to be indirect costs. Training grants usually identify a line item budget for "institutional allowance" which authorizes direct charging of normally treated indirect costs as appropriate if they are reasonable, specifically identified with the project, and budgeted in the award.
  5. Geographically Inaccessible Projects -- Projects that are geographically inaccessible to normal departmental administrative services (i.e., a project that takes place in site(s) remote from campus).
  6. Projects That Require Travel and Meeting Arrangements -- Projects that require travel and meeting arrangements such as, but not limited to, conferences, continuing education, workshops, and seminars for large numbers of participants.
  7. Projects Involving Large, Complex Programs -- Large, complex programs, where size, nature, and complexity of the activity goes well beyond the normal departmental support or there is a functional difference in work by individuals in the same job class.
  8. Projects Which Involve Extensive Data Management -- Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting. For example, if a project requires substantial mailing expenses in the performance of the project activities or technical work,

postage should be charged as a direct cost of the project.

9. Projects Involving Extensive Reports -- Projects whose principle focus includes the preparation and production of manuals, large reports, books, (Excluding routine progress and technical reports), software and multimedia material.
10. Other Sponsored Activities (Not Research, Public Service or Instruction) -- Funded projects which are beyond the traditional instructional, public service, and research responsibilities of an academic unit. These activities primarily provide services beneficial to individuals and groups external to UWA. Examples include activities such as public service workshops and community development.

## **F. Federal Unallowable Costs**

Federal cost policies dictate that certain expenditures be given special accounting treatment. Even if not directly charged to the federal government or reported as cost sharing (i.e. charged instead to a departmental operating account), expenditures considered to be federal unallowable costs must be separately identified in the accounting records so that they can be excluded from the University's cost in the preparation of the Indirect Cost Rate Study. Federal unallowable costs fall into two categories, those costs unallowable in and of themselves (such as entertainment) and costs incurred for purposes that are unallowable. These unallowable purposes are as follows:

- Advertising and public relations costs;
- Alumni activities;
- Commencement and convocation costs;
- Entertainment costs;
- Fund raising costs;
- Lobbying.

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## **7. FY 2015 - 2019 Indirect Cost Rates**

The indirect cost rate agreement covering Fiscal Years 2015 - 2019 was negotiated and executed by the University of West Alabama with the Department of Health and Human Services (DHHS), acting on behalf of the federal government and its agencies. A breakdown of all applicable indirect cost rates is listed below.

The indirect rates listed below have been negotiated on a modified total direct cost base (MTDC) which excludes such costs as equipment, other capital expenditures, charges for tuition remission, and the portion of each sub award and subcontract in excess of \$25,000. The on-campus indirect cost rate is 21.3% and off campus rate is 10.7%. The rates are effective for the period October 1, 2015 through September 30, 2019.