

Policy on Charging Expenses to Sponsored Programs

General Policy Statement

The spending of any funds awarded by the federal government to the University of Oklahoma (the "University") is governed by 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), published by the United States Office of Management and Budget (OMB). The Uniform Guidance describes the principles to be applied in establishing the allowability of certain costs related to federally and other externally sponsored programs at the University. These principles prohibit reimbursement from the federal government for certain unallowable costs.

Reason for Policy/Purpose

The University must comply with the federal regulations within the OMB Uniform Guidance governed by 2 CFR 200 Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Compliance with this policy is necessary to ensure continued federal funding for sponsored programs and activities.

Policy

Consistent with the OMB Uniform Guidance, 2 CFR 200, Subpart D – 200.300 Statutory and National Policy requirements and 200.309 Period of Performance, the University defines unallowable costs in the context of either a particular type of activity or a particular type of cost. Unallowable costs cannot be charged either directly or indirectly to the federal government.

A. Unallowable Direct Costs

- i. Costs incurred for the following types of activities are **unallowable**:
 - alumni activities and relations
 - commencement and convocation ceremonies
 - contingency provisions (reserves)
 - entertainment: amusement, diversion, and social activities and any costs directly associated with such costs such as tickets to shows or sports events, meals, lodging, rentals, transportation and gratuities
 - fund raising
 - goods and services for personal use such as automobiles
 - investment management
 - lobbying
 - public relations unrelated to the performance of a sponsored award
 - student activities: intramural activities, student publications, student clubs, and other student activities not specifically provided for in a sponsored award.

- ii. The following types of costs are **unallowable**:
 - alcoholic beverages
 - bad debt losses
 - first class travel
 - fines and penalties
 - internal interest expense
 - memberships in social, dining or country clubs
 - The allowable compensation for certain employees working on federally funded research is subject to a federal ceiling. Salary charges above the federal salary ceiling are unallowable on federal awards.

- iii. The University may identify other award costs as **unallowable** based on consideration of:
 - The sponsor's policies
 - The award's terms and conditions
 - University policies and procedures
 - Facts and circumstances associated with a particular award.

B. FACILITIES AND ADMINISTRATIVE (F&A) COSTS

Facilities and Administrative costs, commonly referred to as either F&A costs or indirect costs, are general institutional expenditures that are incurred for common or joint objectives benefiting instruction, research, or public service and cannot be readily identified with a particular sponsored project.

C. EXAMPLES OF F&A EXPENDITURES

The following types of costs are normally treated as F&A costs and may not be charged directly to federal or federal flow through sponsored projects.

Administrative and clerical salaries	General office supplies/equip
Tier 1 Computer Support	Computers/printers/fax
Local Telephone Service	Postage
Individual memberships and subscriptions	Cell phones

Exceptions may be permitted during the proposal development in situations where the costs can be specifically identified and are for the sole benefit of the project. During the proposal development, a budget justification must be prepared if any of these types of expenditures are budgeted. The justification must explain the purpose of the costs in sufficient detail to enable interpretation by a reviewer or auditor. The justification must be included in the proposal narrative or as an attachment to a budget.

D. BASIC DEFINITIONS OF COST ACCOUNTING STANDARDS (CAS) FOR EDUCATIONAL INSTITUTIONS

§200.400- Policy Guide

Fundamental Requirement – An institution’s practices used in estimating costs in pricing a proposal shall be consistent with the institution’s cost accounting practices used in accumulating and reporting costs. Cost accounting practices should be applied consistently so that comparable transactions are treated alike.

§200.401 – Application

These principles must be used in determining the allowable costs of work performed by the non-Federal entity under Federal awards. These principles also must be used by the non-Federal entity as a guide in the pricing of fixed-price contracts and subcontracts where costs are used in determining the appropriate price.

§200.403 Factors Affecting Allowability of Costs

Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented.

§200.404 Reasonable Costs

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. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally funded.

§200.405 – Allocable Costs

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 relative benefits received.

§200.412 Classification of Costs

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards.

§200.413 Direct Costs

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. See also §200.405 Allocable costs. Identification with the Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards.

E. ADMINISTRATIVE AND CLERICAL SALARIES/WAGES/FRINGE BENEFITS:

2 CFR 200.413(c) states that salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these cost may be appropriate only if **all** of the following conditions are met:

- Administrative or clerical services are integral to a project activity.
- Individuals involved can be specifically identified with the project or activity.
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency.
- The costs are not also recovered as indirect costs.

i. DEFINITIONS:

1. Integral implies that the work required is significantly above the normal duties required of the administrative or clerical staff member. This would normally be expected to be 20% or greater of their effort.
2. Routine implies that the work is normal day to day operations of the project.

EXAMPLES:

Integral

- Large, complex projects, such as research centers, project programs, and other grants and contracts that entail assembling and managing teams of investigators from several institutions.
- Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting, such as epidemiological studies, clinical trials, and retrospective clinical record studies.
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- A project whose principal focus is the preparation and production of manuals and large reports, books, and monographs (excluding routine progress and technical reports.)

Routine account monitoring, proposal processing, typing of general correspondence, manuscripts or technical reports, ordering of supplies, and limited meeting or travel arrangements are not included in the definition of direct charging and is covered by the University's F&A cost rate.

F. GENERAL OFFICE SUPPLIES:

Costs include those incurred in support of basic departmental activities (i.e., paper, pencils, pens, ink, toner cartridges, tissues, etc.). These costs are considered readily expendable and are treated as F&A costs covered by the negotiated F&A cost rate. The only exceptions are those wherein the purchase of the supplies is for the sole direct benefit (purpose of the project) and can be **specifically identified to the project**. The Principal Investigator should provide adequate justification in the proposal narrative for the direct charging of costs in this category, showing that the supplies were a direct benefit to the purpose of the project and can be specifically identified with the project. Office supplies paid from a sponsored project must be consumed within the life of the project.

G. POSTAGE EXPENSES:

Postage expense incurred in departments that support any of the basic departmental needs should not be charged directly to a sponsored account. The only exceptions are those where postage expense is required. Example:

- For the shipment of research materials
- For a required deliverable (however, not a routine progress or technical report) or
- The sponsored project requires substantial mailing expense, which can be specifically identified to the performance of the project.

The justification should demonstrate that the postage provided a direct benefit to the purpose of the project and can be specifically identified with the project.

For example, if the purpose of your project were to survey 10,000 high school students to determine their attitudes on violence in the school system, the postage for the survey would be an allowable direct charge.

H. TELEPHONE AND VARIOUS OTHER COMMUNICATION EXPENSES:

Communication expenses incurred in departments in support of the basic departmental activities should not be charged against sponsored projects. The only exceptions are those relating to equipment charges (dedicated research/lab lines), long distance calls, fax charges, and various other communication expenses specific to a project and incurred for the sole direct benefit of the project. Cellular phones **may** be direct charged if needed for field site coordination and projects requiring extensive travel. The budget justification must indicate how the request met these criteria. Installation charges, monthly use charges, local calls, pagers, etc. are considered F&A costs and should not be charged directly to a sponsored account.

I. COMPUTING DEVICES

2 CFR §200.453 (c) states that in the 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.

The following criteria will be used to determine whether or not a device is essential and allocable:

- The need has been included in the original proposal and completely justified as to the reason it is being included in the project budget.
- It has been approved by the sponsor as part of the budget and award process.
- The device is necessary for the performance of the project.
- The project will be negatively impacted by not purchasing the computer or electronic device.
- The purchase must represent good stewardship of the sponsor's funds and the project's stated objectives.
- The costs are reasonable and directly benefit the project that purchases the equipment.

J. MEMBERSHIPS

Non-transferrable individual memberships to a professional organization are not allowable as a direct charge. Memberships must be institutional memberships and/ or must be transferrable if the member were to leave employment of the university. A transferrable individual membership to a professional group may be allowed as a direct charge only if the following can be demonstrated:

- The membership creates a cost-savings to attend a conference at which research results specific to the project will be presented, or membership is mandatory in order to present a paper specific to the project **or**
- The sole purpose of the membership is to purchase a periodical at a reduced rate, and the periodical is not available through the institution's library services and the periodical is necessary for the sponsored project.

The budget narrative must indicate how the membership costs meet these requirements.

K. SUBSCRIPTIONS/BOOKS/PERIODICALS

Subscriptions, books and periodicals are usually considered F&A costs, and are therefore not allowed as direct costs. An exception may occur when the item is not available through the University's library services and is integral to the project.

L. GENERAL PURPOSE SOFTWARE:

The category of office supplies also includes general-purpose software and site licenses (e.g., Word, Excel, Adobe, etc.) These items are normally not allowable as direct costs. Software is only allowable if it is special-purpose software. A budget justification is required which describes the use of the software and demonstrates how the purchase solely benefits the project.

M. ENFORCEMENT

All costs payable or reimbursable under university policy must be charged to the appropriate account. For sponsored awards, it is the responsibility of the Principal Investigator (PI) or Project Director (PD) to ensure that costs are charged to the appropriate project. If unallowable costs are charged to a sponsored project, as determined by Grants and Contracts Accounting (GCA)/Research Financial Services (RFS), those costs will be transferred to the home department of the Principal Investigator (PI) or Project Director (PD).

N. PROCEDURES

The PI and the academic department in receipt of federal or other external awards are responsible for implementing the following procedures:

- Ensuring that unallowable expenditures are not charged to sponsored programs.
- If unallowable expenditures are errantly charged to the sponsored program, they are removed from the sponsored program in a timely manner.
- Unallowable expenditures must be moved to a non-sponsored account.
- If the unallowable expenditure is not removed in a timely manner, GCA/RFS will move the expenditure to the faculty member's department account.

If you have questions, please contact gca@ou.edu for OUHSC or refsinfo@ou.edu for Norman