**PURPOSE**

As a recipient of federal awards, Creighton University must comply with rules and regulations set by various federal offices. These offices include sponsoring agencies (e.g., National Institutes of Health, National Science Foundation) and regulatory agencies (e.g., Office of Management and Budget (OMB)). The OMB has adopted regulations from the Cost Accounting Standards Board (CASB) and applies them to educational institutions. This policy has been established to meet the compliance standards set forth in the  [Office of Management & Budget (OMB) Code of Federal Regulations *Part 200 – Uniform Administrative Requirement, Cost Principles and Audit Requirements for Federal Awards*](http://www.ecfr.gov/cgi-bin/text-idx?SID=6214841a79953f26c5c230d72d6b70a1&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)(“Uniform Guidance”).

This policy establishes consistent practices for defining, charging, and coding direct and facilities and administrative (F&A, also called indirect) costs to sponsored projects. These practices must be consistently applied in like circumstances for all sponsored project accounts (federally sponsored and all others). Those involved in charging costs to sponsored project accounts must understand and comply with this policy to meet federal costing principles and ensure that costs are allocated to accounts in a manner that is an accurate reflection of the expenses incurred. Failure to adhere to the provisions of this Policy may result in the University’s sponsors, or other government agencies, disallowing costs or imposing other sanctions.

**SCOPE**

This policy should be known and understood by the following groups of individuals, responsible for the specific roles outlined below:

* **Principal Investigators:**
  + Understand general federal and sponsor regulations applicable to his/her award portfolio, as well as Creighton policy and procedure.
  + Ensure that direct and F&A costs are appropriately identified, budgeted, and consistently charged to sponsored projects.
  + Determine and document allocation methodologies.
* **Department Administrators:**
  + Serve as a resource for the PI on how costs should be budgeted and assigned to sponsored projects.
  + Support the PI in documenting “exceptional circumstances” and allocation methodologies and making purchases on sponsored projects.
* **Other Accounting/Finance Personnel:**
  + Prepare purchase requests and other expense documentation in line with sponsor requirements.
* **Sponsored Programs Administration Personnel:**
  + Serve as a resource for the PI on how costs should be budgeted to sponsored projects.
* **Accounting Services Personnel:**
  + Review and approve purchase/hiring requests, including charging instructions, in line with sponsor requirements.
  + Document transactions in compliance with this policy and retain documentation, justification, and back-up for transactions.
  + Serve as a resource for the PI on how costs should be charged to sponsored projects.
* **Internal Audit Personnel, Associate Vice Provost for Research and Scholarship, Provost/Vice Presidents/Vice Provosts, Deans, Department Charis, Directors or any other personnel who are involved with or have oversight of activities or spending of resources for sponsored projects:**
  + Apply these policies in their duties over sponsored projects.

**POLICY**

The cost of a sponsored project is composed of the allowable direct costs related to its performance, plus the allocable portion of the allowable facilities and administrative (F&A) costs. Where the University treats a particular type of cost as a direct cost on sponsored projects, all costs incurred for the same purpose in like circumstances shall be treated as direct costs for all activities of the University.

**Cost Principles:** The OMB Uniform Guidance establishes principles for determining direct and F&A costs applicable to grants, contracts, and other agreements with educational institutions. This helps to define the financial framework for administering federally sponsored research as well as describes the basis for calculating facilities and administrative cost rates.

The four defining characteristics are outlined in detail in the following table. Costs that do not meet these standards should not be charged to a sponsored project.

|  |  |
| --- | --- |
| **Characteristic** | **Definition & Considerations** |
| **Allowable** | * **Definition:** Items not restricted by federal regulations, sponsor requirements and/or the terms of the specific award. * **Considerations:**   + Does the cost conform to limitations or exclusions set forth in federal/sponsor regulations?   + Are there any additional award terms and conditions that restrict the charge? |
| **Reasonable** | * **Definition:** Goods or services acquired and amount involved that reflect an action a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. * **Considerations:**   + Is the cost necessary for the operation of the institution or performance of a project?   + Is the cost (and price) consistent with institutional policies? |
| **Allocable** | * **Definition:** Goods or services assignable and therefore chargeable to such cost objectives in accordance with relative benefits received.   + Costs incurred for the benefit of only one project or that can be readily assigned to multiple projects (sponsored and non-sponsored) which benefit from the cost. * **Considerations:**   + Is the cost incurred solely to advance the work under the sponsored project charged?   + If charged to multiple projects, does the cost benefit each project in proportion to the amount charged?   + Is the cost necessary to the overall operation of the project? |
| **Treated**  **Consistently** | * **Definition:** “Like” goods or services that are treated consistently throughout the University in similar circumstances. * **Considerations:** * Is the cost treated consistently when incurred for the same purpose, in like circumstances, as either a direct cost or F&A cost? Are the same types of costs charged to projects only as direct costs or as F&A costs? |

[Appendix I](http://www.creighton.edu/fileadmin/user/AdminFinance/Controller/docs/Cost_Accounting/Appendix_I_-_Cost_Reference_Table.docx) lists the University expense codes and whether a particular expense would normally be treated as a direct or F&A cost.

**Allowable Costs**

Allowable costs are those that are reasonable, allocable, accounted for consistently, and not specified as unallowable by the terms of the award or sponsor regulation or policy and other applicable sponsor regulations.

**Unallowable Costs**

Unallowable costs are those costs specifically prohibited in applicable federal regulations, sponsor requirements, specific award requirements, and/or University policy. These costs cannot be charged as a direct cost to federally sponsored projects, included in the development of the F&A cost rate nor included in service center rates. When a charge may be allowable by Creighton University standards but unallowable based on sponsor or award requirements, the more stringent regulations apply (the cost is ultimately unallowable).

For unallowable costs identified in [Appendix I](http://www.creighton.edu/fileadmin/user/AdminFinance/Controller/docs/Cost_Accounting/Appendix_I_-_Cost_Reference_Table.docx), the appropriate expense code must be selected. Expense codes identified in [Appendix I](http://www.creighton.edu/fileadmin/user/AdminFinance/Controller/docs/Cost_Accounting/Appendix_I_-_Cost_Reference_Table.docx) as unallowable may not be charged to sponsored projects.

In addition to those expense codes identified in [Appendix I](http://www.creighton.edu/fileadmin/user/AdminFinance/Controller/docs/Cost_Accounting/Appendix_I_-_Cost_Reference_Table.docx) as unallowable, the OMB Uniform Guidance has defined the following ***activities*** ***as unallowable*** (these activities may not be charged to federally sponsored projects):

* Alumni activities
* Commencement costs
* Fundraising costs
* Lobbying costs
* Public relations costs
* Selling/marketing costs
* Student activity costs

**Administrative and clerical salaries** represent a unique type of cost normally treated as F&A, but per the Uniform Guidance (CFR 200.413), “*The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:*

1. *Administrative or clerical services are integral to a project or activity;*
2. *Individuals involved can be specifically identified with the project or activity;*
3. *Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and*
4. *The costs are not also recovered as indirect costs.”*

To be allowable as a direct charge, clerical and administrative salaries must be for services specifically identified with the project or activity and included in the budget at the time of proposal, and the allocable portion of each individual’s salary must be supported and verified via the University’s effort reporting practices. (Note: The requirement to include administrative and clerical salaries in the proposal budget/receive sponsor approval prior to incurring the charge is subject to the same waivers of prior approval published by the federal awarding agencies.)

Further, direct charged administrative or clerical services must be integral to a project or activity, as opposed to necessary to the overall operation of the institution and assignable in part to sponsored projects.

**Allocation methodologies** apply when the item of expense is of benefit to multiple projects and the relative benefit received by a project can be directly assigned with relative ease and with a high degree of accuracy; that portion of the cost can be directly charged to that project.

For all direct charged expense allocations, the percentage of the cost charged to a specific project must be in accordance with the relative benefit to the charged project(s) and determined on a reasonable basis (i.e. allocation methodology).

Below are some examples of appropriate allocation methodologies. Other reasonable methodologies can be developed, provided that they meet the Uniform Guidance allocation principles. Prohibited allocation methodologies include any methodology based on rotation of budgets, funding, or available funds.

* **Allocation based upon usage**: The cost is allocated based upon the quantity or level of usage (percentage on a per-use basis) on each project.
* **Allocation based upon time**: The cost is allocated based upon the number of hours logged (or as an estimated percentage) for each project.
* **Allocation based upon effort/FTEs**: The cost is proportionately allocated based upon the PI's percentage of effort charged to each project or the number of FTEs working on each project.

Allocation methodologies should be documented and auditable. Documentation should indicate how the allocation methodology is logically related to the cost being allocated and how the method (usage, time, effort, FTEs) relates to the benefit received. This documentation should be retained by the PI and/or department and be made available for review.

**Computing devices**, such as laptops, tablets, and cellphones with a unit cost of $5,000 or less, must be essential and allocable to a sponsored project to be allowed by the OMB Uniform Guidance as a direct charge. As with all sponsored charges, all cost principles must apply and standard practices followed for determining and documenting allocability of computing devices. Simply using a computing device solely for the purposes of one project does not make the charge allocable on federal projects.

**DEFINITIONS**

**Direct costs** are those charged to sponsored projects, instructional activities, or any other institutional activities when the costs can be specifically identified to the cost objective/activity with relative ease and with a high degree of accuracy. Costs must meet the allowability criteria established in the OMB Uniform Guidance, or other applicable sponsor regulations, and must not be expressly disallowed in the project budget.

Common types of direct costs on sponsored projects include:

* Compensation (i.e., salaries, wages, fringe benefits) for technical/scientific personnel
* Materials and supplies
* Purchased services
* Equipment
* Subcontracts

**Facilities and administrative (F&A) costs (also called indirect costs)** are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, instructional activity, or other institutional activity. These costs must meet the allowability and allocability criteria established in the OMB Uniform Guidance or other applicable sponsor regulations. F&A costs are normally recovered by applying the University’s negotiated F&A rate as a percentage of the appropriate direct costs incurred on a sponsored project.

Examples of F&A costs recovered via the University’s F&A cost rate on sponsored projects include:

* + Compensation (i.e., salaries, wages, and fringe benefits) for administrative/clerical staff
  + Basic office supplies
  + Subscriptions/periodicals
  + Office and general equipment (e.g., desks, chairs)
  + Postage
  + Repair and maintenance (e.g., equipment, buildings, grounds)
  + Telephone and Internet (e.g., monthly bills, installation, maintenance)
  + Depreciation
  + Insurance
  + Utilities

**Exceptional/unlike circumstances** generally exist when a sponsored project or activity, due to its size and nature, requires the use of goods or services typically charged as F&A (e.g., administrative or clerical services, office supplies, postage, telecommunication services) that is well beyond the core of support routinely provided for institutional activities. In such cases, charges for goods or services typically charged as F&A can be posted directly to a sponsored project in proportion to the relative benefit received. Examples include postage if the project requires large mailings; animal food or animal cages if the costs are required by the project and are not part of the animal care *per diem* rate; and telephone line charges if the project requires extensive telephone surveys to conduct the project.

Cases in which unlike circumstances apply must be documented. The [Direct Cost Justification Form](http://www.creighton.edu/fileadmin/user/AdminFinance/Controller/docs/Forms/Direct_Cost_Justification_Form.docx) must be used to record the required information and becomes a part of the grant files maintained by Accounting Services. All of the following conditions must be met and documented in defining an exceptional/unlike circumstance that would allow a cost normally treated as an F&A cost (those listed in [Appendix I](http://www.creighton.edu/fileadmin/user/AdminFinance/Controller/docs/Cost_Accounting/Appendix_I_-_Cost_Reference_Table.docx)) to be directly charged to a sponsored project:

1. The cost/benefit can be readily identified specifically with the project with a high degree of accuracy.
2. The cost is incurred in a circumstance that is substantially greater in amount or use or different in purpose than the normal use of that cost.
3. The cost is explicitly budgeted, with justification, and awarded, or the cost must be permitted within rebudgeting authority granted by the sponsor.

4. If the cost or rebudgeting action requires sponsor prior approval after the award is made, the approval must be secured before the cost is incurred.

**REFERENCES**

* [Appendix I](http://www.creighton.edu/fileadmin/user/AdminFinance/Controller/docs/Cost_Accounting/Appendix_I_-_Cost_Reference_Table.docx)
* [Direct Cost Justification Form](http://www.creighton.edu/fileadmin/user/AdminFinance/Controller/docs/Forms/Direct_Cost_Justification_Form.docx)

**ADMINISTRATION AND INTERPRETATIONS**

Please contact Accounting Services for questions about this policy.

**AMENDMENTS OR TERMINATION OF POLICY**

The University reserves the right to modify, amend or terminate this policy at any time.