

UVA COST ACCOUNTING STANDARDS GUIDELINES

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I. FEDERAL CIRCULAR A-21: COST PRINCIPLES FOR EDUCATIONAL INSTITUTIONS

Anyone approving or processing the expenditure of federal funds must have a clear understanding of Cost Accounting Standards (CAS) and apply consistent application of these fundamental cost principles as promulgated in the Office of Management and Budget Circular A-21. [see: <http://www.whitehouse.gov/omb/circulars/a021/a021.html>]

In simplest terms, the Cost Accounting Standards are a series of federal regulations that provide guidance on costing practices for educational institutions in the administration of financial management of sponsored awards. The Department of Health & Human Services (DHHS) is the cognizant federal agency overseeing the administration of sponsored programs at the University of Virginia.

CAS APPLICABILITY

Sponsored projects will be subject to CAS if **any ONE** of the following criteria is applicable:

- All federal awards
- All awards that contain any federal flow-through funds. This is likely determined by the presence of terms and conditions that reference federal guidance from Circular A-21 or have been assigned a Catalog of Federal Domestic Assistance (CFDA) number. If after the award period has started it is discovered that the project is funded with federal flow-through dollars, any unallowable direct charges will need to be removed from the project.
- Terms and conditions of the proposal or award documents reference Circular A-21 or Cost Accounting Standards
- Funds used as cost sharing on a CAS covered project. Only the individual cost(s) being claimed as cost sharing would be subject to CAS.

CAS IN A NUTSHELL

The University is reimbursed for a portion of those costs categorized as F&A. To directly charge those items included in UVa's F&A Cost Rate Proposal would constitute double charging the government for the same cost. This is one of the situations that the government and Circular A-21 seek to avoid. In summary, the application of CAS addresses the following:

Don't double charge the federal sponsor for the same cost twice, AND

Don't charge the federal sponsor for unallowable costs

All awards, including those not covered under CAS are still subject to the specific sponsor requirements listed in the award and to University and State procurement guidelines. Just because an award is not subject to CAS does not mean expenditures unrelated to the award's purpose can be charged. All expenditures on an award must be reasonable, allocable, and allowable.

Costs that would normally be considered as F&A costs, such as administrative and clerical salaries, may be charged directly to non-federal awards if permitted by the sponsor's policies or otherwise approved by the sponsor. **(This is an alternative costing practice regarding non-federal awards only).**

Irrespective of CAS applicability, most awards include either audit clauses and/or financial reporting requirements. These clauses allow for the review of supporting documentation for all expenditures. The supporting documentation should validate the relationship between the expenditure and the purpose of the award.

CAS RELATED DEFINITIONS

Direct Costs - costs that can be identified specifically with a particular sponsored project, instructional activity, or other institutional activity, or can be directly assigned to such activities with relative ease and high degree of accuracy are treated as direct costs. These costs must also meet criteria established in Circular A-21, Section C.2-4, which details factors affecting allowability, reasonableness, and allocability of costs.

The issue of identification made "with relative ease and a high degree of accuracy" relates to the ability to track and monitor direct cost expenditures consistently, clearly and exhaustively, and that the process is not overly burdensome.

Additionally, costs that provide direct benefit to a sponsored project's scientific or technical scope of work are considered direct costs. A few examples of technical expenses are the salaries, wages, and fringe benefits of the PI(s) and technical or research employees, laboratory supplies, travel, subcontractor costs, patient/animal care costs, etc.

Facility and Administrative Costs (F&A or indirect costs) - costs that are incurred for and benefit common or joint objectives, and therefore cannot be identified specifically with a particular sponsored project, an instructional activity or any other institutional activity are considered F&A costs. Based upon the specific items included in UVa's F&A Cost Rate Proposal, the University negotiates with the government (through DHHS) to determine the percentage (rate) at which F&A costs will be reimbursed. Some typical F&A costs include salaries and related benefits of those employees who perform non-technical support activities, office supplies, postage, local telephone costs, memberships/subscriptions, and other expenses used to provide clerical or administrative project support. These costs may not normally be charged directly to CAS covered projects. However, given the presence of certain 'unlike circumstances', these costs may on occasion be charged directly to a CAS covered project.

Consistent Treatment of Costs - costs incurred for the same purpose, in like circumstances, are treated uniformly either as direct costs or as F&A costs. Consistent treatment of costs is a basic cost accounting principle and is specifically required by OMB Circular A-21 to assure that the same types of costs are not charged to federally sponsored awards both as direct costs and again as F&A costs recovered through a negotiated rate. This concept is further reinforced and emphasized in a Cost Accounting Standard (referred to as CAS 502) that universities are required to follow.

Cost Sharing - that portion of total project costs contributed to a sponsored award not borne by sponsor but rather by the University or third parties. Committed cost sharing is the amount of project costs that UVa agrees to contribute as part of the performance of the sponsored agreement. This commitment is most often made in the proposal or stipulated in the award documentation.

Major project or activity - as defined in A-21, is a project or activity that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. Major projects/activities are those that are administratively intensive and are not necessarily defined by the amount of funding. The following examples, taken from OMB Circular A-21, Exhibit C, are not exhaustive nor are they intended to imply that direct charging of administrative or clerical salaries would always be appropriate for the situations illustrated:

- 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.
- Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).
- Projects geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research fields' sites that are remote from campus.
- Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications.

Non-major project or activity - is a project or activity that is not administratively intensive and only requires the level of administrative or clerical support that is routinely provided by academic departments. An aspect of the non-major concept is the limited ability to measure or quantify administrative effort provided to a specific project/activity technical goals and objectives.

Unlike Circumstance - A situation where a cost that is normally considered to be an F&A cost meets specific criteria allowing it to be charged directly to a particular sponsored award. These costs must:

- Satisfy the definition of a **direct cost** (specifically identifiable with the objectives of the science, identification made with relative ease and a high degree of accuracy),
- Be extensive or unique in nature (in comparison with research activity across grounds at UVa),
- Be included in the proposal budget,
- Be justified adequately on the Proposal Approval ["Goldenrod"] form,
- Be approved by the sponsor when justified in the proposal or later is submitted and involves costs normally requiring sponsor approval,
- Be approved by the appropriate University authorities (Office of Sponsored Programs or Office of Grants and Contracts Administration in the School of Medicine)

CAS PRINCIPLES & ILLUSTRATIONS

Circular A-21, Section C. 2-4 requires that all costs charged to the government satisfy the following criteria:

Allowable - The cost must be allowable (either as a direct or an F&A cost) under both the provisions of Circular A-21 AND under the terms of the particular award. Additionally, for a cost to be allowable it must be:

- Reasonable
- Allocable to sponsored agreements
- Given consistent treatment appropriate to the specific circumstances at hand
- In conformity to any limitations or exclusions set forth or in the sponsored agreement as to types or amounts of cost items.

Allocable - The project that pays the expense must directly benefit from that expense. This important concept is known as the "point of allocation". Circular A-21 designates a cost as allocable if the goods or services involved are:

- Chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship
- Incurred solely to advance the work under the sponsored agreement

Reasonable - The cost may be considered reasonable if the goods/services acquired and the cost involved reflects the same action that a prudent person would have taken under the same circumstances in incurring the cost. Circular A-21 notes that a cost may be considered reasonable if the cost:

- Is necessary for the performance of the sponsored agreement
- Has been determined reasonable by the individuals concerned acting with due diligence in the same circumstances
- Has been determined through costing policy, consistent with established institutional policies and practices

Consistent - All costs incurred for the same purpose, in like circumstances, are either to be treated as direct costs OR as F&A costs. According to Circular A-21 and CAS 501, this includes consistency in estimating, accumulating and reporting costs and consistency in allocating costs incurred for the same purpose.

Circular A-21 also generally defines those costs, which may be charged directly, and those for which we are reimbursed through the F&A cost rate. When developing a sponsored project proposal, the Principal Investigator (PI) builds a budget which reflects the project's direct costs (e.g., researchers salaries, equipment) --- the costs which are relatively easy to associate directly with the objectives of the project, and then applies the proper negotiated F&A rate to add the cost of space, utilities, office supplies, and other essential infrastructure "overhead-type" expenses to the budget.

Hypothetical Illustration

Allowability

Professor Smith's award includes budgeted funds for travel to a conference in Boston. Mary Johnson, a graduate student in Professor Smith's lab, has been invited to present a paper at this conference. Given that there are no limitations against travel on the award Mary's travel costs are *allowable*. Occasionally, award terms may prohibit travel costs (such as on an equipment award). Had that been the case above, Mary's travel costs would have been unallowable as a direct cost to the award.

At the conference, Mary has dinner with a colleague and orders wine. This cost of the wine is expressly *unallowable* against federally funded awards.

Allocability

This particular conference focuses on the research activity funded by Professor Smith's award. Mary will be presenting her paper and will collaborate with colleagues at other institutions. The expense of this trip benefits the technical objectives of the award and is therefore an *allocable* cost.

Reasonableness

Mary's presentation was well received by her colleagues and after telephoning Professor Smith to share the good news; Mary celebrated by enjoying dinner in Boston. The cost of her dinner was \$150. Although the conference trip was allowable and allocable, the actual cost of dinner is NOT *reasonable*, and only a portion of the dinner's total cost would be reimbursed from the sponsored award. In this case, State travel guidelines would take affect and would detail/limit the amount that is reasonable.

Consistency

Relative to her presentation Mary provided 100 copies of her presentation in 3-ring binders for distribution to her colleagues. Under normal circumstances the purchase of 3-ring binders would be considered an unallowable direct cost and would be classified as Office Supplies. However, given the specific nature and the technical relevance of this cost to the award goals, an 'unlike circumstance' can be justified allowing for the direct charging of the binders.

GENERAL CRITERIA FOR DETERMINING HOW COSTS ARE CHARGED TO SPONSORED PROJECTS

The proper classification (direct versus F&A) of any charge should be determined based on a logical thought process. This process can be described in four (4) steps as follows:

1. **Review** – All applicable regulations, terms and conditions, policies, procedures applicable to the award. This includes institutional and State of Virginia regulations, policies and procedures.
2. **Judgment** – Proper allocation of costs should be based upon the specific purpose of the award and the technical goals expected rather than the need of certain items.
3. **Justification** – Appropriate, adequate written justification of 'unlike circumstances' should be disclosed in the proposal (or a justification is prepared when the need arises during the life of the project that could not have been anticipated in the proposal process). This justification is reviewed and approved by the Director of Grants and Contracts Administration for the School of Medicine, and for all other schools, approval is provided by responsible personnel in the Office of Sponsored Programs.
4. **Agency Approval** – Upon award of a budget based on written justification of 'unlike circumstances' in the proposal and reliance on the fact that the institution made an informed decision based on the particular facts and circumstances of the specific award.

Exceptions or 'Unlike Circumstances' For The Direct Charging of Normal F&A Costs

Some questions to consider in determining the presence of a unique or 'unlike circumstance' in which normal F&A costs might be charged direct should include:

1. Does the cost provide a direct benefit to the purpose or technical objectives of the award as opposed to a cost that is "needed" to complete the project but is incidental to the purpose?
2. Can the cost meet the definition of a direct cost? Can the cost be specifically identified with a particular award with relative ease and a high degree of accuracy? Is the cost allowable in accordance with all applicable regulations, terms and conditions, policies and procedures?
3. For clerical and administrative salaries, do the facts and circumstances of the award meet the criteria to qualify the cost as an exception ('unlike circumstance') as guided by Circular A-21; Exhibit C (examples of major projects)?

4. For other costs that are normally classified as F&A costs (e.g., office supplies, postage, local telephone, memberships, etc); do the facts and circumstances of the award meet the criteria to qualify these costs as a unique situation/exception ('unlike circumstance')? Do these costs directly contribute to the technical goals of the award?

CAS requires consistent treatment of costs in 'like circumstances' throughout the institution. Consequently 'unlike circumstances' must be demonstrated/justified if a cost that is normally considered as an F&A cost is to be budgeted, charged, and reported as a direct cost. The following arguments are not valid in the demonstration of 'unlike circumstances':

- a) Sponsor approval of the budget allocation of a particular cost without proper review by the institution (i.e. steps 1-3 above)
- b) Insufficient F&A recovery to support the costs incurred
- c) Sponsor limits or will not reimburse F&A costs to the University
- d) Sponsor is willing to pay for the cost as a direct charge

RELIANCE ON AGENCY APPROVAL

Sponsor approval of a budget does not constitute approval of the specific cost items. The sponsor assumes that the university in the preparation of the budget has complied with Circular A-21, the F&A cost rate proposal assumptions, and all other regulations cited. **A cost that may be allowable at one institution as a direct charge may not be allowable at another because of the decisions made at an institutional level regarding the Disclosure Statement and the F&A cost rate proposal process.** There would be no way for any sponsor to make a determination of allowability because of these variables; therefore, it is the institution's responsibility to exercise this judgment.

Agency approval can only be relied upon if there has been proper review of regulations, policies and procedures and the university has made a judgment based on these reviews, along with necessary justifications of unique or 'unlike circumstances'. It is possible that even if the agency approves the expenditure, auditors (Department of Health and Human Services - DHHS, sponsor, state, or internal) could come back at a later time and disallow the expenditure based on his or her review and judgment or lack of appropriate documentation.

UNALLOWABLE COSTS

Unallowable costs, as defined by OMB Circular A-21, Section J, are identified by expenditure types in the University's accounting system. Costs considered "unallowable" in accordance with this and other authoritative documents and the individual Sponsors must be identified and accounted for separately (CAS 505). These costs must be excluded from federally sponsored awards and may not be budgeted, charged or reported to a sponsor. Unallowable costs are not reimbursed to the University either as direct (not included in Sponsor budgets) or as Facilities and Administrative (F&A) costs (not included in the F&A cost pools). Some examples include:

- General Advertising Costs/Public Relations
- Alcoholic Beverages
- Entertainment Costs
- Goods/Services for Personal Use
- Lobbying
- Memberships in Civic/Social Clubs

II. POLICY ISSUES

The following statements should serve as the basis for administering all CAS covered sponsored awards. The lack of available F&A cost recovery funds to assist in the payment of costs normally classified as F&A costs is not a valid argument for charging such costs directly to the sponsor when developing a budget or in the decision making process regarding direct cost recovery.

1. Proposal budgets should be developed utilizing specific items and cost categories that are consistent with the University's financial accounting practices unless the sponsor requires other

presentations of cost types. For example, the following major cost categories could be used when developing a budget:

- Personnel
- Employee Benefits
- Subcontracts/Subawards
- Consultant Services
- Technical Services
- Materials & Supplies
- Equipment
- Participant Support Costs
- Trainee Support Costs
- Alterations & Renovations
- Tuition Remission
- Travel
- Other Direct Costs
- Patient Care Services
- Other Contractual Services
- Graduate Assistants

IT IS THE COMBINED RESPONSIBILITY OF THE PRINCIPAL INVESTIGATOR, THE RESPECTIVE DEPARTMENTAL RESEARCH ADMINISTRATOR AND THE DEPARTMENT CHAIR TO REVIEW THESE BUDGETS AND DETERMINE IF ALL COSTS ARE ALLOWABLE AND ALLOCATED CORRECTLY BETWEEN DIRECT AND F&A COST CATEGORIES.

A budget narrative should accompany the proposed budget adequately describing the costs within each category (descriptions should be done to satisfy sponsor requirements). Responsible persons in the Office of Sponsored Programs [or the Director of Grants and Contracts Administration for the School of Medicine] must approve any proposed direct charging of costs that would typically be classified as F&A costs (i.e., justifications of 'unlike circumstances').

There are some costs within the major cost categories (listed above) that require additional written justification and documentation in order to charge them direct to federal awards. These costs include:

- a. Administrative and clerical salaries
- b. General office supplies
- c. Postage
- d. Local Telephone
- e. Memberships and subscriptions

2. Part Three of the Proposal Approval Form (Justification for CAS Exception Request) must be completed and submitted with the proposal whenever the budget contains direct cost items that would typically be classified as F&A costs.

JUSTIFICATION

The justification must explain the purpose of the costs in sufficient detail to enable those responsible for reviewing the proposed budget to make a determination of whether the cost meets the definition of an 'unlike circumstance'. It is important that written justifications quantify and fully explain the unique and extensive nature of the costs being considered for direct charging. Also, as specified in Part Three, if copies of job descriptions for administrative or clerical positions noted in the proposal and being charged as direct costs are not already on file at the Office of Sponsored Programs, they must be included in the routing of the Proposal Approval Form.

If after the start of a project, it is determined that 'unlike circumstances' are present, (i.e., these costs were not identified in the proposed budget), an 'unlike circumstance' justification must be prepared before the expenses can be re-budgeted or charged as direct costs. The justification should be routed to the Office of Sponsored Programs using a Justification for CAS Exception Request form.

3. Costs (i.e., specific cost items) incurred for the same purpose in like circumstances must be budgeted and expended consistently throughout sponsored projects activities at UVa. In other words, when similar circumstances exist throughout separate projects, each specific cost item is to be budgeted/expended as either a direct or an F&A cost consistently in each case.

Listed below are additional clarifications for several specific cost issues.

ADMINISTRATIVE AND CLERICAL SALARIES/WAGES/FRINGE BENEFITS

While administrative and clerical salaries and wages are normally classified as F&A costs, direct budgeting and charging of such costs may be considered where a major project or activity explicitly budgets for administrative or clerical salaries and the individuals involved can be specifically identified with the technical goals of the project or activity.

The nature of the work or actual functions performed under a particular project should require an extensive amount of administrative or clerical support that is significantly greater than the routine level of such services provided by academic departments.

The following are specific examples of when direct charging of administrative and clerical salaries/wages and fringe benefits **may be allowable** (with adequate written justification in the proposal narrative **and** upon approval by appropriate institutional officials **and** the sponsor):

- major projects such as centers or other projects that entail assembling and managing teams of PI's from a number of institutions.
- specific research activities involving extensive data collection, statistical analysis and entry, database management, surveying, tabulation, cataloging and researching literature.
- projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- projects whose principal focus is the preparation and production of manuals and large reports or books. (This does not include routine progress and technical reports).
- projects that are geographically inaccessible to normal departmental administrative services such as seagoing research vessels and other research field sites that are remote from the campus.

All of these circumstances display, with relative ease and a high degree of accuracy, extensive amounts of administrative/clerical effort on a particular project (or in the case of a remote location, inaccessibility to normal departmental services). If the cost does meet the test of an extensive amount of administrative and clerical effort, but cannot meet the direct charge criteria stated above the cost must be recovered as an F&A cost. However, **these examples do not constitute an exhaustive list, nor do they imply that direct charging of administrative or clerical salaries would always be appropriate** for the situations illustrated in the examples.

Routine account monitoring, proposal processing, typing of general correspondence, manuscripts or technical reports, ordering of supplies, and meeting/travel arrangements are not considered 'unlike circumstances' and such costs are recovered through the University's F&A cost rate. Additionally, projects cannot be grouped together to meet the requirement that there be an extensive amount of support.

Be reminded that inadequate funds to support these charges as F&A is not adequate justification for charging this support as a direct cost.

GENERAL OFFICE SUPPLIES

Costs include those incurred in support of routine activities associated with instruction, public service, research and other institutional activities (i.e., paper, pencils, pens, ink, toner cartridges, etc.). Exceptions consist of instances where the purchase of the supplies is extensive in nature, specifically identified to the purpose of the project, **and** meets the definition of a direct charge.

COMPUTERS

Computers are normally classified as general office supplies as the computers are a tool used for a variety of functions often having generic administrative uses.

In order to meet the criteria of an 'unlike circumstance' and be directly charged to a sponsored award, predominant usage of a computer must be tied to the technical objectives of the award. Examples may include a computer used to create a publication on an editorial grant, a computer that is dedicated to controlling a scientific instrument - e.g., a mass spectrometer, a computer used to gather and analyze data or perform numerical analysis, image manipulation, or other technical activities directly related to the objectives of the science.

POSTAGE

Postage costs incurred in support of routine communication activities associated with instruction, public service, research, and other institutional activities should not be charged directly to sponsored accounts. Exceptions include cases where extensive postage is required in support of the technical goals and objectives of the sponsored award. For example, if the purpose of the project were to survey 1,000 high school students to determine their attitudes on violence in the school system, postage for the survey may be an allowable direct charge.

Mailing technical reports and other project deliverables are considered part of normal, routine business expenses and are therefore are considered F&A costs. Postage costs include US Mail, Federal Express, UPS, etc. **The difference between postage (F&A) and freight/shipping (direct) is driven by the item(s) being sent, not the means by which they are sent.**

TELEPHONE AND VARIOUS OTHER COMMUNICATIONS

Communication costs incurred in support of routine activities associated with instruction, public service, research and other institutional activities should not be charged directly against sponsored projects. For example, installation charges, recurring monthly use charges, local access calls, pagers, cell phones, etc., are normally considered F&A costs. Some exceptions may include: long distance calls, and fax long distance charges that are specific to a project and incurred for the sole direct benefit of the technical goals of the project.

MEMBERSHIPS, SUBSCRIPTIONS and BOOKS

Individual memberships in civic or social organizations are expressly unallowable in accordance with Circular A-21. Individual memberships or subscriptions to professional groups or periodicals are normally considered unallowable as direct costs but in rare situations may be allowed as direct charges and **only** if the following can be demonstrated:

1. An institutional membership is not available or will not satisfy the purpose of the project, and
2. The cost has been adequately justified (i.e., provides a direct benefit to the purpose of the project) in the proposal or a justification is on file with the Office of Sponsored Programs if the situation arises after the project was awarded.

Technical books may occasionally be required for the advancement of the goals and objectives of an award (especially as related to Fellowships or training grants). The direct charging of these items would be allowable in unique circumstances if the following conditions could be satisfied:

1. The book(s) are deemed inaccessible from the UVA libraries due to heavy use or the inability to place a reserve on the book. These situations must be documented.
2. The cost must be allocable to the award(s) with relative ease and high degree of accuracy. Books that will be used to gain an understanding of general knowledge in a field of work would not meet the relative ease/high degree of accuracy test.
3. There is specific information contained in the book(s) purchased that is directly related to a specific goal or outcome of the project. For example, a specific testing protocol that must be followed to validate research results.

It is often difficult to find a direct correlation/benefit to most sponsored projects with the purchase of general books. The justification must be sufficient to demonstrate compliance with the relative ease/high degree of accuracy test. Examples of supporting statements that are not sufficient to meet this test and would therefore be

unacceptable in an audit are "The titles of the various textbooks clearly establish a technical relationship to the project charged" and "The books were needed for the research".

PRINTING, BINDING, PUBLICATION AND COPYING

These costs are normally direct charges to sponsored awards given that the definition of a direct charge can be met.

The copying costs and the costs of disseminating research results through publication costs or page charges are allowed as direct charges to sponsored awards **from which the research was obtained**.

With respect to copying costs, if using an external copy service, the invoice should be retained as documentation to support the charge. If using a departmental copier, charges must be a per copy charge and must be based on a cost study. In other words, you cannot charge the associated expenses of the copy machine such as toner cartridge, paper, etc. directly to a contract or grant due to allocation problems among the many uses of the machine (i.e., contradicts "relative ease and a high degree of accuracy"). The per copy cost must be based on total utilization of all activities (research, instruction, public service and other), not just research usage. In addition you must maintain documentation of the use through a log. **Copying of proposals or general correspondence not related to a specific project should not be charged as direct costs.**

EQUIPMENT

UVA has defined equipment (versus supplies) for sponsored awards with a project start date of October 1, 1999 or later as follows:

Capitalized Equipment - nonexpendable, tangible, personal property having a useful life of one year OR greater and an acquisition cost of \$5,000 or greater per individual item.

Non-capitalized Equipment (supplies) - nonexpendable, tangible, personal property having a useful life of less than one year AND an acquisition cost of less than \$5,000 per individual item.

Equipment Fabrication - occurs when multiple items that could be classified as supplies (some items may have acquisition costs of \$5,000 or <) are purchased to create/fabricate an integrated unit of equipment having a total value of \$5,000 or more. In these instances, the individual purchases should be budgeted and accounted for as capitalized equipment.

SERVICE CENTERS

Costs identified to a particular sponsored project for the use of University-owned labs and other service centers should be budgeted, charged, and reported as direct costs. These charges must be based on actual utilization supported by adequate documentation. These charges must also be based on a usage rate approved by the Department of Financial Analysis. The rate must be approved before the charge is incurred by the sponsored projects.

COST SHARING

A cost used to meet the cost sharing commitments of a sponsored project will be allowed only to the extent that the charge would meet the criteria as a direct charge. In addition to the specific criteria discussed above, the charge must be allowable under the particular facts and circumstances of the award. If the cost would be classified as an F&A charge, it will not be allowed to meet the cost sharing commitments of that particular project.

FEDERAL FLOW-THROUGH

If after the award period has started it is discovered that the project is funded with federal flow-through dollars, any unallowable direct charges will need to be removed from the project.

FUNDING DELAYS

Direct or F&A costs should only be charged to a particular project if they relate to the project. Delays in receipt of future funding are not justification for charging costs to an unrelated project. If charges are necessary before the receipt of the funding, a request for a preliminary/at-risk award should be made through established procedures.

CAS AND CENTER/CONSORTIUM STATUS

Research Centers are not automatically excluded from Cost Accounting Standards (CAS). Circular A-21, Exhibit C makes reference to research center operations as a type of "major project or activity." The government's use of the term is meant to refer to a Federal Center that is funded by a Center Grant. In these cases, the Center is not automatically exempt from CAS; however, the government states that a case for unique treatment of specific costs associated with expenses directly related to that individual Center award might be made based on the facts and circumstances of the award at hand.

UVA recognizes that center operations may meet the definition of a "major project or activity" as defined in Circular A-21, Exhibit C but the fact that they are formally recognized by UVA is not a factor in this decision. A Center of this type, having numerous funded projects would be treated no different than a department in regard to CAS.

A "major project or activity," as defined in Circular A-21, is a project or activity that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. Major projects/activities are those that are administratively intensive and are not necessarily defined by the amount of funding.

Circular A-21 provides examples of major projects, which are listed below in bold type followed by UVA-specific examples. The examples illustrate projects where direct charging of administrative expenses may be appropriate. These examples are not exhaustive, nor are they intended to imply that direct charging of administrative expenses would always be appropriate for the situations illustrated in the examples.

1. 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.

UVA examples:

- Grants/Contracts that make multiple or complex subawards to different faculty and/or other institutions.
- Large complex programs such as the Center for Biological Timing, The Long Term Ecological Research program, and the General Clinical Research Center in the School of Medicine.
 - Program Project Grants (with subawards/suballocations given to different faculty)

2. 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).

UVA examples:

- Grants/Contracts with clinical components involving substantial patient care or patient care data (including patient recruitment and patient billing)
- Education research projects that require extensive data collection and dissemination
- Telephone or mail surveys

3. Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.

UVA examples:

- Conference/workshop grants

4. Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).

UVA examples:

- Curriculum development grants
- Grants to develop electronic reference materials

5. Projects that are geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research field sites that are remote from campus.

UVA examples:

- Grants/Contracts partially or entirely performed off-campus (locations remote from campus)
- Dissertation grants when performed at a remote location
- Other research conducted at field sites remote from campus

6. Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications.

UVA examples:

- Projects requiring extensive administrative management/record keeping of human or animal subjects performed by an administrator rather than technical staff

UNIVERSITY OF VIRGINIA INTERNAL PROPOSAL APPROVAL FORM

**PART THREE
JUSTIFICATION FOR COST ACCOUNTING STANDARDS EXCEPTION REQUEST**

I. For all Facilities and Administrative (indirect) budget items *you are requesting to treat as direct charges* on a Federal grant or an award with any federal flow through dollars (including any administrative or clerical personnel), provide justification (by listing the items and answering the questions below) demonstrating how the unique nature of the grant validates the cost being directly charged. Include justification for each budget item. Refer to UVA Policy VIII.A.8 and VIII.A.6 at <http://www.virginia.edu/%7epolproc/pol/poltoc.html#sectionVIII> and UVA's **Cost Accounting Standards guidelines** at <http://www.virginia.edu/~sponpgm/casguidelines.html> for further explanation. If sufficient space for explanation is not available on this form, please continue on a standard sheet and attach additional documentation as needed.
Signatory approvals from the Principal Investigator and Department Chair are required below.

Budget Item	Cost	Quantity

Please provide answers to the following questions for each item. Attach additional pages as necessary.

- 1) How does the unique nature of the grant present an "unlike circumstance" which validates the items being directly charged? *Ex. Postage costs will be charged to a grant to conduct a significant mail survey of 3,000 participants.*
- 2) What percentage of this item's use can be allocated to the project? *Ex. 100% of an administrative assistant's time may be charged to a center grant.*
- 3) How will this item directly contribute to the scientific aims of the award? *Ex. A computer is to be purchased which will house and manipulate an exorbitant amount of data generated by the research project.*
- 4) For any administrative/clerical staff compensation costs you are requesting to be treated as direct charges, attach a written justification describing how the administrative position qualifies as an unlike circumstance.

II. Transaction Controls:

Oracle Transaction Controls have been implemented to assist with financial grants management. Below is a list of expenditure types for which transaction controls have been set. If completing the above justification, you must also check the appropriate box below.

NOTE: The list below is not exhaustive. These are merely items for which CAS exceptions and exemptions are most commonly requested. If you wish to charge other items which are typically considered an indirect (F&A) cost, please check the "Other" box, add the expenditure type and provide an explanation above.

<input type="checkbox"/> Eq Capital Voice & Data	<input type="checkbox"/> Eq Non-Capital Desktop Comp	<input type="checkbox"/> Svcs, Memberships to Orgs
<input type="checkbox"/> Eq Non-Capital Library	<input type="checkbox"/> Eq Non-Capital Mobile Comp	
<input type="checkbox"/> Eq Non-Capital Office Furniture	<input type="checkbox"/> Eq Non-Capital Other Comp Equ	
<input type="checkbox"/> Eq Non-Capital Voice & Data	<input type="checkbox"/> Eq Library Books	
<input type="checkbox"/> Administrative Faculty Salaries	<input type="checkbox"/> Supplies, Computer Operating	
<input type="checkbox"/> Supplies, Educational	<input type="checkbox"/> Supplies, Food Svc	
<input type="checkbox"/> Supplies, Office	<input type="checkbox"/> Svcs, U.S. Postal	
<input type="checkbox"/> Other (Specify expenditure type in section I. above)	<input type="checkbox"/> Faculty Salary (TRAINING GRANTS AND FELLOWSHIPS ONLY)	

Principal Investigator Name: _____ Department/School: _____
 Principal Investigator Signature: _____ Date: _____
 Chair Signature: _____ Date: _____
 OSP Approval Signature: _____ Date: _____

Approval by the University on the use of these exceptions does not preclude the federal agency from disallowing these costs in an audit.