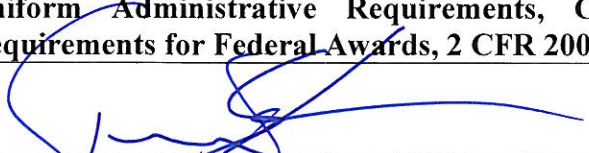




**Florida Agricultural and Mechanical University**  
**Division of Research**  
**Office of Sponsored Programs**

**INTERNAL OPERATING MEMORANDUM**

**Memorandum No. 16A.023**

<b>Subject:</b>	<b>Exemption to Direct Charge Cost Normally Treated as Indirect Cost</b>	
<b>Authority:</b>	<b>Sections 1001.74 and 1001.75, Florida Statutes</b>	<b>Date: 03/19/2012</b> <b>Revised: 01/07/2016</b>
<b>Related References</b>	<b>2 CFR Part 200 Uniform Guidance (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards), Office of Management and Business (OMB) and FAMU Policy and Procedures</b>	
<b>Purpose</b>	<b>FAMU is required to comply with the federal regulations in the Cost Accounting Standards (CAS) and the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200, (Uniform Guidance).</b>	
<b>Signature of Approving Authority</b>		

**1.0 GENERAL INFORMATION**

Cost Accounting Standards (CAS) require that universities classify costs consistently as either *direct* costs of projects or *indirect* costs benefiting multiple activities. As stated in the Uniform Guidance (UG) ***“All costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only with respect to final cost objectives.”*** FAMU normally treats administrative and clerical salaries as indirect costs. However, the UG allows for inclusion of administrative and clerical salaries as direct charges on federal awards if certain criteria are met. In these incidences, administrative and clerical salaries should be included as direct charges on federal awards **ONLY** when they meet the UG criteria and definition of ***“unlike purpose or circumstance.”*** Administrative costs charged improperly to federal awards will result in unallowable costs, requiring reimbursement to the Federal Government and, depending on severity, penalties for FAMU, colleges/school or research personnel. The UG part 200.413(c) states that, “the salaries of administrative and clerical staff should normally be treated as indirect or Facilities and Administrative (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met.”

- 1.1 Administrative or clerical services are integral to a project or activity;
- 1.2 An individual or exact role can be specifically identified with the project or activity;
- 1.3 Such costs are explicitly included in the budget and/or have the prior written approval of the Federal awarding agency; and
- 1.4 The costs are not also recovered as F&A or indirect costs.
- 1.5 The four (4) CAS standards listed below apply to the University as follows:
  - **CAS 9905.501 Consistency in Estimating, Accumulating and Reporting Costs:** Requires that costs are treated consistently in how they are proposed to the sponsoring agency, in the University’s accounting system and reported to the government.

- **CAS 9905.502 Consistency in Allocating Costs Incurred for the Same Purpose:** Requires that each type of cost is allocated only once as either direct or indirect and only as one basis to any sponsored program or other cost objective. Adherence to this cost accounting approach helps to guard against the overcharging of some cost objectives and to prevent double counting. Double counting may occur when a cost item is allocated directly to a cost objective without eliminating like cost items from indirect cost pools which are also allocated to the same objective.
- **CAS 9905.505 Accounting for Unallowable Costs:** Requires any costs expressly unallowable or mutually agreed to be unallowable, including costs associated costs, shall be identified and excluded from any billing, claim, or proposal applicable to a Government contract.
- **CAS 9905.506 Cost Accounting Period:** Provides criteria for the selection of the time periods to be used as cost accounting periods for contract cost estimating, accumulating, and reporting. The intent of this standard is to ensure accuracy in rate development and rate application. It requires that the same time period be used for the development of the indirect and direct cost pools.

### **CAS Determination**

- Administrative and clerical salaries, office supplies, postage, local telephone costs, subscriptions and Membership's costs are presumed to be typically classified as F&A costs and, thus, should not generally be directly charged to sponsored projects. However, direct charging of these costs may be appropriate when the project meets the UG criteria or Major Project.
- FAMU faculty and staff must comply and are responsible for the allocation of costs and for the review of sponsored fiscal reports throughout the lifecycle of the award in order to ensure that administrative salaries are charged only to projects for which such salaries have been approved in accordance with this policy. All relevant documentation of approved administrative salaries must be included in the project files. The criteria listed below must be met for direct charging administrative and non-salary administrative expenses:

### **Unlike Purpose or Circumstances**

- The project has a special non-routine use for the item, service, activity or costs which is substantially greater in amount or different in purpose than the normal use.
  - The cost can be specifically identified with a particular sponsored project or can be assigned to a particular sponsored project with a high degree of accuracy, and directly benefits the sponsored project.
  - Each expense to be direct charged is explicitly set forth in the budget as a line item in the project proposal budget. For example, if a project proposes to direct charge items such as postage, computers, iPads, laptops, office supplies and local telephone costs, the budget must contain a specific line item for each cost and clearly justified in the budget justification.
  - Consider a major project as defined below.
    - Large, complex programs such as general clinical research centers, and 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 which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting.
    - 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 that are 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.

The above examples 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 in the examples. See *Frequently Asked Questions Concerning CAS for additional guidance*.

### CAS Exclusions

- All FAMU faculty and staff are required to abide by the terms and conditions of any award from a non-federal sponsor. Non-federal awards often allow the University to include administrative or clerical salaries as direct costs on awards that differ on their requirements for these costs. CAS policies and procedures for sponsored awards not subjected to CAS will be dependent upon the individual terms and conditions of the award. Expenditures that are not allowed as direct charges on sponsored awards subject to CAS may be considered allowable as direct charges on those awards not subject to CAS. All charges to any contract or grant should be necessary, reasonable, allocable, and allowable under the terms and conditions of the agreement. CAS Exemptions do not apply to:
  - Non-federal awards;
  - Internal projects;
  - Contracts and grants that prohibit the charging of F&A costs; and
  - Firm fixed-price agreement awarded without submission of any cost data to the Federal agency.
- Questions or requests for clarification on the application and the use of CAS Exemptions during the proposal stage should be addressed to the Pre-Award Associate Director or assigned Coordinator.

## 2.0 DEFINITIONS

- 2.1 **Cost Accounting Standards (CAS)** require that universities classify costs consistently as either *direct* costs of projects or *indirect* costs benefiting multiple activities.
- 2.2 **Direct Costs (DC):** DC are specifically associated and identified to a particular project, program, or activity 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.
- 2.3 **Facilities and Administrative (F&A) Costs:** F&A costs are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. F&A costs are synonymous with "indirect costs."
- 2.4 **Administrative and Clerical Salaries/Personnel (administrative salaries):** Provides non-technical supporting services that generally benefit departmental, institute, or center activities or objectives, including functions such as clerical support, financial management, procurement of materials and services, budget and planning, and personnel management.

- 2.5 **Principal Investigator/Program Director (PI/PD):** PI/PD on a grant, contract or cooperative agreement. The PI/PD bears the primary responsibility for cost charged on a grant, contract or cooperative agreement.
- 2.6 **Unlike Purpose or Circumstance:** Is defined as any activity or costs which is substantially greater in amount or different in purpose than the normal use.
- 2.7 **Administrative and Clerical Personnel:** May include secretarial staff, receptionists, accountants, bookkeepers, and other administrators.
- 2.8 **Non-Salary Administrative Expenses:** May include office supplies, postage, local telephone costs, data processing/computer supplies, general purpose software and membership dues.

### 3.0 RESPONSIBILITIES

- 3.1 **Principal Investigator/Program Director (PI/PD)** is responsible for ensuring that costs charged to a sponsored project meet the requirements for reasonableness, allowability, and allocability, as described in UG, and that any such costs are properly documented. Ensure time and effort reports are maintained to substantiate direct salaries or other personnel services charged to a sponsored project. Complete all required information on the CAS Exemption form, provide additional justification narrative and submit the form to the OSP at the time of proposal submission for review and approval. Ensure compliance with this guidance and the University's policies and procedures related to CAS Exemptions.
- 3.2 **Departments/Divisions/Colleges/Schools (DDCS)** is responsible for establishing effective processes and controls that will ensure compliance with this guidance and the University's policies and procedures related to CAS Exemptions. Assign an individual to function as a point of contact between the Department and the OSP. The Dean is responsible for providing general oversight and problem resolution and ensures compliance with this guidance and the University's policies and procedures related to CAS Exemptions.
- 3.3 **Office of Sponsored Programs (OSP)** is responsible for processing, reviewing and approving submitted CAS Exemption forms from the DDCS. Maintain, modify and implement CAS Exemption guidance and procedures. Assist with development of education and training programs for employees involved in the CAS Exemption process. Monitor compliance with this guidance and the University's policies and procedures related to CAS Exemptions, and report findings to the associated departments. The Vice President for Research (VPR) oversees the formulation of FAMU CAS Exemption Procedure. Questionable practices and recurring problems must be reported to the Dean, Department Chair, VPR, Provost and Vice President for Academic Affairs, and University President.
- 3.4 **Office of Contracts and Grants (C&G)** is responsible for invoicing the sponsoring agency and preparing and submitting all fiscal reports to the funding agency. The C&G office prepares cost transfer documents, and reviews the award and fiscal reports when preparing financial reports to verify that all charges are allowable in according to the specified agreement.
- 3.5 **Organizational Development and Training (ODT)** is responsible for the advancement and coordination of training on regulatory requirements for all individuals with responsibilities in the request, review and approval of CAS expenditures charged to sponsored projects, including but not limited to PIs, OSP and C&G staff and grants administrators.

### 4.0 GENERAL PROCEDURES

- 4.1 **Principal Investigator**  
The principal investigator (PI) is responsible for documenting in the proposal the request for direct-charged administrative salaries in sufficient detail to describe the necessary benefit of the expense to

the project. When a PI identifies salaries of administrative and clerical personnel and/or non-salary administrative costs associated with a project that meet the criteria set forth by the UG and this procedure, he or she must:

- Prepare and complete a CAS Exemption Form (CEF) and additional narrative justification for administrative or clerical salaries requested on a federally sponsored project.
  - Additional narrative justification must include a description of the unlike purpose or circumstances of the award or a description of the ways in which the nature of the work requires an amount of administrative support that is significantly greater than the routine level of administration provided by academic departments.
- Provide detailed budget justification for all proposal(s) that request direct charging of administrative salaries. The amount of administrative and clerical salaries to be directly charged should be clearly stated in the proposal budget. The percentage should be 15% or greater.
  - Describe specific administrative activity and an explanation of benefit and the reasons that the direct charging of administrative costs is warranted.
  - Identify role(s) on the project, position, title, employee name if possible, level of effort required and the duties to be performed that are specifically related to the sponsored project activities.
  - If the proposal position is an existing employee, this information must be included in the proposed budget and must state that the position will receive extra compensation. *See the Extra Compensation on Contracts and Grants procedure* for additional details. If this information is not included in the proposal, the CAS Exemption may not be approved.
- Submit CEF and additional narrative justification to the Department Chair and Dean for review and approval.
- Submit completed CEF and additional narrative to the OSP for review and approval at the time the proposal is submitted.
- Once an award is made ensure that only approved administrative salaries are direct-charged and that they are charged only to awards on which those particular administrative or clerical salaries have been approved.
- Review expenditures as incurred to ensure that these salaries are charged only to sponsored awards in which they are included in the budget awarded by the sponsor and FAMU has an approved CAS and justification on file with sufficient documentation.
- Identify and remove any unapproved administrative charges during routine and comprehensive reviews of fiscal activity on all sponsored programs projects for which they are responsible.
- Work with departmental administrators to respond to requests for review of administrative salaries directly charged to federal awards.
- Maintain appropriate time records and other documentation regarding the allocation of administrative and clerical personnel supporting multiple projects.

#### 4.2 **Departments/Divisions/Colleges/Schools (DDCS)**

The DDCS administrators are responsible for ensuring all employees within their colleges/schools have knowledge and comply with CAS policies and procedures. DDCS must review and approve all CAS requests. The determination that administrative or clerical salaries may be charged to a federal award must not be based solely on the discretion of an individual investigator. Prior to including administrative salaries in a federal proposal's budget, department administrators should determine if the conditions of the UG and criteria listed above are met.

DDCS are responsible for all unallowable CAS charges on sponsored projects. The department administrator's responsibilities include but are not limited to:

- Provide guidance to the PI/PD and department staff about University CAS policies and procedures regarding salaries requested on federal sponsor proposal budgets.
- Review CAS and additional narrative for approval of direct charging of administrative or clerical salaries requests.
  - Assist PI/PD with must completion of CAS form and additional narrative as needed.
  - Review requests and proposals for administrative salaries request to ensure they meet the criteria identified above.
- Review proposal budget to ensure requests for administrative salaries included in proposal budgets.
  - Ensure that the proposal justifies an amount of administrative or clerical support that is significantly greater than the level of such services routinely provided by the academic unit or explains unlike purpose or circumstances make the award unlike others.
  - The DDCS provides guidance to the investigator or department staff when inadequately justified administrative salaries appear on proposal budgets.
  - The DDCS provides an independent review and documents (by signing CAS to indicate the presence of administrative salaries in the grant budget) its approval of any proposal that includes the direct charging of administrative salaries.
  - Approval by the DDCS indicates that an independent review of the salaries and circumstances has occurred; that there is sufficient justification of the circumstances to warrant the direct charging of administrative salaries, and that the salaries are budgeted explicitly and identified specifically with project activities.
- Ensure approval (approved budget or other written approval) are obtained from the sponsor and OSP prior to submission of administrative or clerical requests on sponsored projects.
- Assist PI/PDs with the review of expenditures directly-charged for administrative salaries on federal awards on a routine basis.

#### 4.3 **Office of Sponsored Programs (OSP)**

OSP is responsible for submitting proposals to the funding agency and is responsible for reviewing all proposal documentation for completeness and accuracy. Maintain and provide guidance and addressing institutional issues and concerns related to this procedure and policy. Ensure that adequate documentations are provided for costs normally considered F&A (or indirect costs) that are proposed to be charged directly only when unlike purposes or circumstances exist and those costs and circumstances are justified in the proposal and maintained in the pre-award file. OSP is responsible for reviewing, retaining, and monitoring the timely submission of University CAS Exemptions to ensure compliance with Federal guidelines and the provisions of grant agreements. The following is a list of responsibilities, but are not limited to:

##### **Pre-Award**

- Coordinators confirm that DDCS has reviewed and signed CEF submitted by the PI/PD.
- Coordinators confirm that the administrative salaries requested are budgeted in-line with approved institutional salary; administrative specific duties are outlined in the budget justification; and that the additional narrative and proposal includes adequate justification of the circumstances warranting the direct charging of salaries.
- Coordinators review CAFS and additional narrative to determine if the justification is adequate and/or inadequate. Inadequate justification is returned to the **DDCS** to resolve any issues or concerns.

- Prior to including administrative salaries in a federal proposal's budget, OSP coordinators should determine if the conditions of the UG and above criteria are met.
  - The administrative salaries meet the definition of unlike purpose or circumstance; salaries are integral to the project and are required to meet scientific objectives.
- Coordinators ensure that costs normally considered F&A (or indirect) costs are charged directly only when unlike purposes or circumstances exist and those costs and circumstances are justified in the proposal and maintained in the pre-award file.
- CEF's are reviewed by the Pre-Award Associate Director prior to routing to the Director to ensure that all proposals submitted to the federal government comply with the institution's policies and procedures.
- Coordinators enter CAS information into FAMU's iRattler, grants management system, attribute module to indicate approval status of the direct charging of administrative salaries. The amount and other detailed information are also entered.

#### **Post-Award**

- At the time of project set-up, the Associate Director or Coordinator must review sponsor awards terms and conditions. Check if the budgeted item was approved by the sponsor and if any additional comments were made about the administrative salaries in the award documentation.
  - If the inclusion of administrative salaries is documented in the award notification, the pre-award proposal and file should be reviewed.
  - FAMU's iRattler, grants management system should be checked to confirm CAS was selected and information entered under attribute module.
- Coordinators verify that directly-charged administrative salaries occur only on sponsor-approved budget for the award (not the proposal budget) includes administrative salaries.
  - Only approve administrative charges that have sponsor approval and approved CAS on file for direct charging of those salaries as indicated in FAMU's iRattler, grants management system.
- Coordinators and Associate Director should complete periodic review of costs incurred on sponsored awards, including review of direct-charged administrative salaries.
- CAS Exemptions submitted to the OSP after proposal submission (or post award) require sponsor approval and must also be approved by the OSP prior to the assignment of administrative or clerical personnel and/or charging administrative costs and supplies to the project.
  - During the lifetime of the award, if it's determined that the direct charging of administrative salaries is appropriate and was not included in the original budget, the PI and the department must follow the same procedure outlined in the pre-award proposal stage.
  - If the awarding agency approves the revised budget, then the administrative salaries may be charged directly to the federal award. The approval should be updated in FAMU's iRattler, grants management system to reflect CAS approval.
  - When and if a PI/PD request budget modification (if allowable) to incur these types of costs the justification for charging these costs must be documented and updated in FAMU's iRattler, grants management system and project file as necessary.

#### **4.4 Office of Contracts and Grants (C&G)**

- C&G is responsible for invoicing agency for administrative salaries cost charged on sponsored projects.

- Prepare fiscal reports.
- Maintain financial reporting information for proper management and retention.

#### **4.5 Office of Organizational Development and Training (ODT)**

The training team is responsible for the development and coordination of training on regulatory requirements for all individuals with responsibilities in the procurement, management and direct charging administrative or clerical services to sponsored projects, including but not limited to PIs, OSP staff, C&G staff and grants' administrators.

### **5.0 RECORDS**

Financial records, supporting documents, statistical records and all other records for all Federal and State sponsored projects must be retained for at least three (3) years from the date of submission of the final expenditure report, or, for awards that are renewed quarterly or annually, from the date of the submission of the quarter or annual financial report. Additional record retention requirements must conform to the award and/or policy of the specific sponsoring agency.