

GUIDANCE ON ADMINISTRATIVE COSTS FOR FEDERAL AWARDS

This document includes definitions and examples of expenditure types that would typically be considered unallowable direct charges to federal awards based on OMB Circular A-21 and the Cost Accounting Standards (CAS). This document is meant to be a reference tool for managing federal awards and will be a continuous working document which will be modified or added to as needed. This document is general in nature and is NOT an exhaustive list of unallowable costs for all federal awards.

The sponsor assumes CMU has complied with A-21, the CAS, Carnegie Mellon's policy "Direct Charging Administrative Costs to Sponsored Research" (<http://www.cmu.edu/policies/documents/AdminCosts.html>), and any other regulations cited. It should be further noted that sponsor approval of a budget alone does not constitute approval of the specific line items. Although Carnegie Mellon interprets an approved detailed budget as sponsor approval, the sponsor and/or auditors have the authority to challenge and disallow expense items included in the approved budget. For this reason, it is important that these guidelines be followed and that adequate supporting documentation be maintained when exceptions are made.

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.

Consistent Treatment of Costs - costs incurred for the same purpose, in like circumstances, are treated uniformly either as direct costs or as Facilities & Administrative (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 the Cost Accounting Standard, which were incorporated in A-21 in 1996.

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
- Be included in the proposal budget
- Be approved by the sponsor when justified in the proposal or via a subsequent request to the sponsor, and involves costs not normally allowed as direct charges
- Be approved by the appropriate university authorities (Office of Sponsored Programs or Sponsored Projects Accounting)

<u>EXPENSE CATEGORY</u>	<u>FREQUENTLY USED EXPENDITURE TYPES</u>	<u>EXPLANATION / EXCEPTIONS</u>	<u>EXAMPLES</u>	
			<u>ACCEPTABLE</u>	<u>UNACCEPTABLE</u>
Administrative Salaries		Generally considered part of the F&A cost recovery. Allowable if ALL of the following guidelines apply: 1) activities of administrative staff must relate directly to the project; 2) must be measurable and identifiable; 3) must go	<i>Large, complex programs, such as research centers, program projects, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions</i>	

		beyond “routine” support; 4) administrative/secretarial support devoted to a specific grant or contract totals 20% or more of an individual’s allocated effort. Example , the scope of the project requires the creation of a new research center. NOTE: This should usually be known at the time of proposal submission and therefore is included in the awarded budget.	<i>requiring an unusual degree of administrative support.</i>	
Advertising	<ul style="list-style-type: none"> ▪ Advertising Employment ▪ Advertising Procurement ▪ Advertising Public Relations 	Except for recruiting, procurement, and disposition of surplus/scrap federal property; Recruitment of personnel required for the performance of obligations arising under a sponsored agreement; procurement of goods and services for the performance of a sponsored agreement	<i>The cost of printing a job posting to the Post Gazette for a position whose sole responsibility is to work on a specific project.</i>	
Alcohol		ALWAYS unallowable		
Bad Debt		ALWAYS unallowable		
Banking Fees	<ul style="list-style-type: none"> ▪ Banking Fees & Charges ▪ Credit Card Fees 	Part of the university’s F&A cost recovery		<i>The department charges a wire fee associated with payment to a vendor that provided supplies to the grant. This is inappropriate because wire fees and other banking fees are normally recovered as F&A.</i>
Books	<ul style="list-style-type: none"> ▪ Books 	Part of the university’s F&A	<i>Books were purchased on a</i>	<i>Purchase of a scientific</i>

	<ul style="list-style-type: none"> ▪ Books & Periodicals ▪ Periodicals 	<p>cost recovery</p> <p>Technical (“How To”) Instructional manuals that are needed for a project can be charged to an award, but should be coded as Technical Supplies. These charges should also be included in the approved budget.</p>	<p><i>research project. These books were research materials exclusively purchased to do the studies for this research project only. The books were not available through the university’s library system and were <u>specifically included in the awarded budget.</u></i></p>	<p><i>manual. The book may be available in the university’s library, but because it will be written in, etc. a dedicated copy is needed. However, the purchase of this book was not itemized in the awarded budget and is therefore not allowable as a direct charge.</i></p>
Computing Supplies		Part of the university’s F&A cost recovery	<i>The only acceptable situation would be for a major project as mentioned in the Administrative Salaries section.</i>	

Entertainment		Unallowable: Cost of entertainment, amusement, diversion and social activities including tickets to shows or sports events, meals, lodging, rentals, transportation and gratuities.		
Fines And Penalties		Unallowable: Costs resulting from violations of, or failure of the University to comply with Federal, State, local or foreign laws and regulations, except when incurred as a result of compliance with specific provisions of the sponsored agreement or written instructions from the sponsoring agency.		
Gifts	Gifts Unallowable	Unallowable. "Gifts" purchased in lieu of compensation for human subject participants should not be charged to this account, but should be charged to the Human Subjects Expenditure Type.		<i>Gifts were purchased to give to collaborators on the project. These are unallowable and should be paid for with unrestricted funds.</i>
Goods Or Services For Personal Use		Unallowable: Goods or services for personal use of employees, e.g. flowers.		
Legal Fees		General legal fees are unallowable.	<i>Legal fees related to obtaining a visa for an individual hired to work solely on a specific research project are</i>	

			<i>allowable as a direct costs. This includes only the visa fees and not any travel associated with obtaining the visa.</i>	
Memberships & Dues	<ul style="list-style-type: none"> ▪ Memberships & Dues 	Cost of individual memberships & dues are unallowable	<i>Memberships to Survey Monkey have been deemed as allowable for awards for which the primary purpose was to conduct an electronic survey.</i>	<p><i>The renewal of a Principal Investigator's Annual membership to a professional organization is directly charged to one of her many research projects. This is an inappropriate direct cost because it does not relate specifically and solely to this research project.</i></p> <p><i>Membership renewal is paid for in conjunction with conference registration fees in order to obtain more cost effective registration fees. Although the total cost to the project is less than it would be if the membership was not purchased, the membership fees are not an allowable cost to the award. The government and auditors are not reviewing the award for cost savings, but rather for the applicability of the charge.</i></p>
Office Supplies	<ul style="list-style-type: none"> ▪ Office Supplies ▪ Paper Supplies ▪ IC Office 	Part of the university's F&A cost recovery	<i>Purchases in relation to a major project center are allowable. These costs</i>	

	<p>Supplies</p> <ul style="list-style-type: none">▪ Other Supplies		<p><i>should be included in the proposal and proposed budget. Examples of these situations would be:</i></p> <ol style="list-style-type: none"><i>1. A conference grant charges the costs of office supplies, which includes poster board, badges, colored paper for the conference workshops. These costs were budgeted for and are exclusively for the grant.</i><i>2. A specific project requires the production of an extensive data survey.</i>	
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<p>Postage Expenses</p>	<ul style="list-style-type: none"> ▪ Postage ▪ Postage & Shipping ▪ Express Mail & Delivery Services ▪ IC Post Office 	<p>Part of the university's F&A cost recovery</p>	<p><i>Awards with extensive postage expenses in support of the goals and objectives of the sponsored award would be acceptable if included in the proposal and proposed budget. An example would be if the purpose of a project is to conduct a survey and it is proposed that the survey be taken manually by random mailings.</i></p> <p><i>Express mail is allowable.</i></p>	
<p>Recruiting Costs</p>	<ul style="list-style-type: none"> ▪ IC Internet Recruiting ▪ Relocation Fees 	<p>Allowable for employees working solely on the project charged. For employees who stay less than twelve months, the institution will be required to refund or credit any relocation costs charged to the Federal Government</p>		
<p>Refreshments</p>	<ul style="list-style-type: none"> ▪ Refreshments ▪ Non-Travel Business Meals ▪ On Campus Business Meals 	<p>Unallowable - unless incurred for meetings with sponsors or for organized group meetings, for which the primary purpose is the dissemination of technical information directly related to the research project.</p>		<p><i>The department orders cases of bottled water for the lab and charges it to a grant. This is inappropriate either as a direct cost to the project or as an indirect cost – these charges should be coded to the Unallowable object code.</i></p> <p><i>Refreshments were</i></p>

				<p><i>purchased on a research project. The soda and snacks were for a meeting between the PI and a researcher on the same project to discuss a technical issue on this research project. This is not an appropriate direct cost to the award, but is allowable as an indirect charge and can be coded to the natural object code.</i></p>
<p>Telephone And Various Other Communication Expenses</p>	<ul style="list-style-type: none"> ▪ IC Telephone Equipment ▪ IC Telephone Local ▪ IC Telephone Services ▪ Telephone External ▪ Telephone Communication Device Allowance 	<p>There are several types of communication costs and some are allowable while others are not. Below is a list of the most commonly seen types of communication with their allowability.</p> <p>Long Distance Telephone Calls: Allowable if specifically allocable to project.</p> <p>Local Calls: Unallowable</p> <p>Monthly Service Charges for land line telephone, cell phone, or internet: Unallowable</p> <p>Internet Charges: Unallowable</p>	<p><i>Internet external service is charged to a project. The charge stems from an internet connection in a hotel room for one of the researchers, who was traveling but needed the internet connection to work on the research project while traveling. This connection fee is allowable.</i></p>	<p><i>A Principal Investigator charges the cost of his cell phone to a research project. The cell phone is not used for personal purposes. The cell phone is used for telephoning staff in the lab, calls to potential donors and scientists associated with all of the grants for which he currently oversees. The total monthly cost of the cell phone is not allowable. However, individual calls specifically related to the project are allowable if adequate justification (from whom, to whom, and business purpose) is provided on an individual call basis.</i></p>

General Purpose Equipment	<ul style="list-style-type: none"> ▪ Non-capital Equipment ▪ Non-capital Computer Equipment 	Part of the university's F&A cost recovery		<p><i>A PI charges the cost of a laptop for one of his technicians to the project whose entire effort is also charged to this project. This cost is an unallowable direct charge to the project because it is reimbursed via the F&A rate. The only exception would be if the situation constitutes (and can be documented as) an unlike circumstance as defined above.</i></p>
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*** For information regarding how to classify expenses against non-sponsored funds, please see http://www.cmu.edu/finance/spa-cost/policies-procedures/files/classifying_costs_allowable_vs_unallowable_costs.pdf.

