

Research Office

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

When a sponsor awards funds to the University in support of specific programs and projects, it requires the University to manage those funds prudently to ensure that any costs incurred directly benefit the project accounts being charged.

The Federal Government is the largest sponsor of externally funded activity at the University. The cost principles relating to expenditures on federal awards are contained in the Office of Management and Budget's (OMB) Circular A-21 (http://www.whitehouse.gov/omb/circulars/a021/a21_2004.aspx) *The Cost Principles for Institutions of Higher Education*. These cost principles require that any expense charged to a federally sponsored project be reasonable and necessary, allocable, consistently treated, and conform to any limits or exclusions set forth in A-21 or the terms and conditions of the award.

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. In addition, individual awards may include special terms and conditions which must be considered when incurring costs. Terms and Conditions in an award which specifically address costs override all related comments in this document. Consult with the appropriate Contract and Grant Administrator in the Research Office for more details.

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 Office of Naval Research (ONR) is the cognizant federal agency overseeing the administration of sponsored programs at the University of Delaware.

CAS APPLICABILITY

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

- federal awards
- 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.
- Awards where terms and conditions of the proposal or award documents reference Circular A-21 or Cost Accounting Standards
- Funds being 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 AND F&A

The University is reimbursed for a portion of those costs categorized as Facilities & Administrative Costs (F&A). To directly charge those items included in UD'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 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 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.

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.

DETERMINING ALLOWABILITY, REASONABLENESS, AND ALLOCABILITY OF COSTS

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

Allowable - All costs must be allowable under federal regulations and sponsor terms and conditions, including program-specific requirements and University policy. To be allowable, costs must be:

- Reasonable and necessary
- 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.

Typical costs charged directly to a sponsored project include:

- compensation of employees for performance of work under the sponsored agreement, including related fringe benefit costs;
- costs of materials consumed or expended in the performance of the sponsored project;
- travel in accordance with the University's policy
- other allowable items of expense incurred for the sponsored project.

Costs of materials from stock/services rendered by specialized facilities or other institutional service operations may be included as costs under federally sponsored agreements, provided such items are:

- consistently treated in similar circumstances as direct costs, rather than Facilities and Administrative (indirect) costs; and
- charged under a recognized method of computing actual costs.

Allocable - The project that pays the expense must directly benefit from that expense. This important concept is known as the “point of allocation”. A cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Every incurred cost must have a direct benefit to the sponsored project being charged. OMB Circular A-21 offers the following guidelines: In general, a cost is allocable to a particular sponsored project if it fulfills one of the following conditions:

- it is incurred solely to advance the work under the sponsored agreement; or
- it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; or
- it is necessary to the overall operation of the institution and, in light of the principles provided in OMB Circular A-21, is deemed to be assignable in part to sponsored projects.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefited projects on any reasonable basis.

Note: Reasonable methods of allocating common use scientific items and supplies may include proportional benefit, specific anticipated use per award, full time equivalents (FTEs) on each award, lab square footage, high correlation to another lab cost that is clearly allocated, and Modified Total Direct Cost (MTDC) proportions (i.e., relative size of non-salary budget, excluding equipment, tuition, and any subcontracts).

In the rare instances in which a proper cost allocation cannot ultimately be determined using any reasonable methods, the cost may be charged to a single sponsored project.

Where the purchase of equipment or other capital items is specifically authorized under a sponsored agreement, the amounts thus authorized for such purchases are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.

Any costs allocable to a particular sponsored agreement under the standards provided in OMB Circular A-21 may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.

Any costs allocable to activities sponsored by industry, foreign governments, or other sponsors may not be shifted to federally sponsored agreements.

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.

Unlike Circumstance - A cost that is normally considered to be an F&A cost is considered an unlike circumstance if it meets specific criteria. Unlike circumstances are costs which are allowed 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 research, identification made with relative ease and a high degree of accuracy),
- Be extensive or unique in nature (in comparison with other research activity at UD),
- Where appropriate, be included in the proposal budget and adequately justified on Proposal, and approved by the sponsor.
- Be adequately documented at the time of allocation to satisfy the relevance as a direct cost

Some questions to consider in determining the presence of a unique or 'unlike circumstance' in which normal F&A costs might be charged directly 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?
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 specified 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. items 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 (See **NOTE** below)

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. Circular A-21, D.2. also goes on to state that **"identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from F&A costs of sponsored agreements."**

ALLOCATION METHODOLOGIES

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 three (3) steps as follows:

1. **Review** – All applicable regulations, terms and conditions, policies, procedures applicable to the award. This includes University of Delaware 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).

NOTE: Agency Approval of a budget based on written justification of 'unlike circumstances' in the proposal relies on the **institutional obligation to make an informed decision** based on the particular facts and circumstances of the specific award.

The Office of Management and Budget Circular A-21 provides two methods for allocating an allowable direct cost to **two or more grants**, they are defined as follows:

Proportional Benefit

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects.

Example: A PI has two awards which require the purchase of mice to conduct experiments. The Specific Aims for one award indicates 150 mice are needed to conduct the research and the Specific Aims of the second award requires 50 mice to conduct the research. The PI orders 200 mice and allocates the cost of the mice 75%/25% between the awards.

Interrelationship

If a cost benefits two or more projects or activities in proportions that cannot be easily determined due to the interrelationship of the work involved, then the cost may be allocated to the benefiting projects on any reasonable basis.

Example: Acetone purchased for use in a laboratory is needed for the technicians working concurrently on three research projects. A reasonable method of allocating the cost of the Acetone could be based on the number of FTEs.

Regardless of the method used, A-21 states that the: "University is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles; and University's financial management system shall ensure that no one person has complete control over all aspects of a financial transaction."

Unallowable Costs

Costs considered "unallowable" in accordance with various 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 described in Circular A-21, Section J. Some examples include:

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

II. EXAMPLES & CLARIFICATIONS

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.

IT IS THE PRIMARY RESPONSIBILITY OF THE PRINCIPAL INVESTIGATOR, WITH SUPPORT OF 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.

Listed below are additional clarifications for several specific cost issues on federal awards.

ADMINISTRATIVE AND CLERICAL SALARIES/WAGESFRINGE 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 (taken from OMB Circular A-21, Exhibit C) 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 the sponsor):

- 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.

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.

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 a grant where publication is a specified deliverable, 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.

Examples of justification on a research proposal:

Laboratory Based Research Project:

A desktop computer (Dell, Optiplex 5200 GXMT) is requested to support the extensive cloning experiments and plasmid constructions described in this proposal. This cost is normally treated as indirect at the University of Delaware. However, due to the requirements of this project, this cost is requested and justified as a direct cost. This computer is essential to fulfill the Specific Objectives of the proposal, including the construction of the human/rabbit chimeras, the construction of the multicistronic plasmids, and the design of oligonucleotide primers for polymerase chain amplification. The computer will be in heavy use for these purposes, and be used almost exclusively (80%) for the scientific aims of this proposal, with the remainder of the use for other scientific purposes. The software needed to design the plasmids, chimeric proteins, and oligonucleotide Primers (Lasergene, DNASTar, Inc.) will also be purchased on this grant.

Laptop Computer for Research Project with Off-site Data Collection:

\$3,000 is requested for a laptop computer. This cost is normally treated as indirect at the University of Delaware; however, due to the requirements of this project, this cost is requested and justified as a direct cost item. The computer will be almost exclusively dedicated to the accomplishment of the specific aims of this project as described in the research plan (>80%); Specific aims 1 and 2 involve collection of data from children at three off-campus sites. The laptop will enable the researchers to enter the data as it is received and review the entered data while still at the site. The data can then be transferred from the sites directly to the university for analysis. On-site computer entry facilitates quality control and removes the possibility of human error which could occur while transferring data from a hand written record to a computerized data base.

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 and SUBSCRIPTIONS

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 **only** if the following can be demonstrated:

- An institutional membership is not available or will not satisfy the purpose of the project, and
- The cost has been adequately justified (i.e., provides a direct benefit to the purpose of the project) in the proposal.

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

UD has defined equipment (versus supplies) for sponsored awards as follows:

Capitalized Equipment - nonexpendable, tangible, personal property having a useful life of two years 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 less) 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 VP Finance Office. 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.

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 pre-award should be made through established procedures.

APPENDIX A

Representative List of Acceptable Direct and Indirect Costs

DIRECT COSTS	INDIRECT COSTS
SALARIES, WAGES, FRINGE BENEFITS Examples: Principal Investigator, Faculty Research Assistant, Scientist Technician Post Docs, Graduate Students	ADMINISTRATIVE and CLERICAL SALARIES, WAGES, FRINGE BENEFITS: Examples: Fiscal Officer, Accountant Secretary, Staff Assistant Department Administrator
ANIMAL and ANIMAL CARE	COMPUTER SOFTWARE *
AUTO RENTAL	COMPUTER HARDWARE *
CONSULTANTS	DUES & MEMBERSHIPS
EQUIPMENT (Technical & Scientific)	EQUIPMENT (General Purpose)
MAINTENANCE/REPAIR/SCIENTIFIC EQUIPMENT	MAINTENANCE/REPAIR GENERAL PURPOSE EQ
FREIGHT/OTHER TRANSPORT UPS, FedEx	MEALS & REFRESHMENTS *
PAGE CHARGES/REPRINTS/REFERENCE MATERIALS	PRINTING
PATIENT CARE COSTS	POSTAGE
RENTAL OF SPACE OR EQUIPMENT (non University owned)	
SERVICE/RECHARGE CENTER EXPENDITURES	SUBSCRIPTIONS
SUBCONTRACTS/SUBAWARDS	
SUPPLIES & MATERIALS Chemical & Laboratory Gases radioisotopes	OFFICE SUPPLIES pens, pencils paper, staples files, folders, binders
TELEPHONE CHARGES - LONG DISTANCE	TELEPHONE CHARGES – BASIC Basic Line Charges Local Calls, Pagers, Cell Phones
TRAINEE COSTS (Training Grants Only) Stipends, Tuition & Fees, Travel	
TRAVEL	

If there are unusual circumstances those costs normally considered indirect costs may be charged as direct costs. These would typically be listed in your budget and a justification provided for unlike circumstance.

*May be charged as direct costs if 'predominant usage is tied to the specified objectives of the award'.

APPENDIX B

Explicitly Unallowable Costs on Federal Agreements

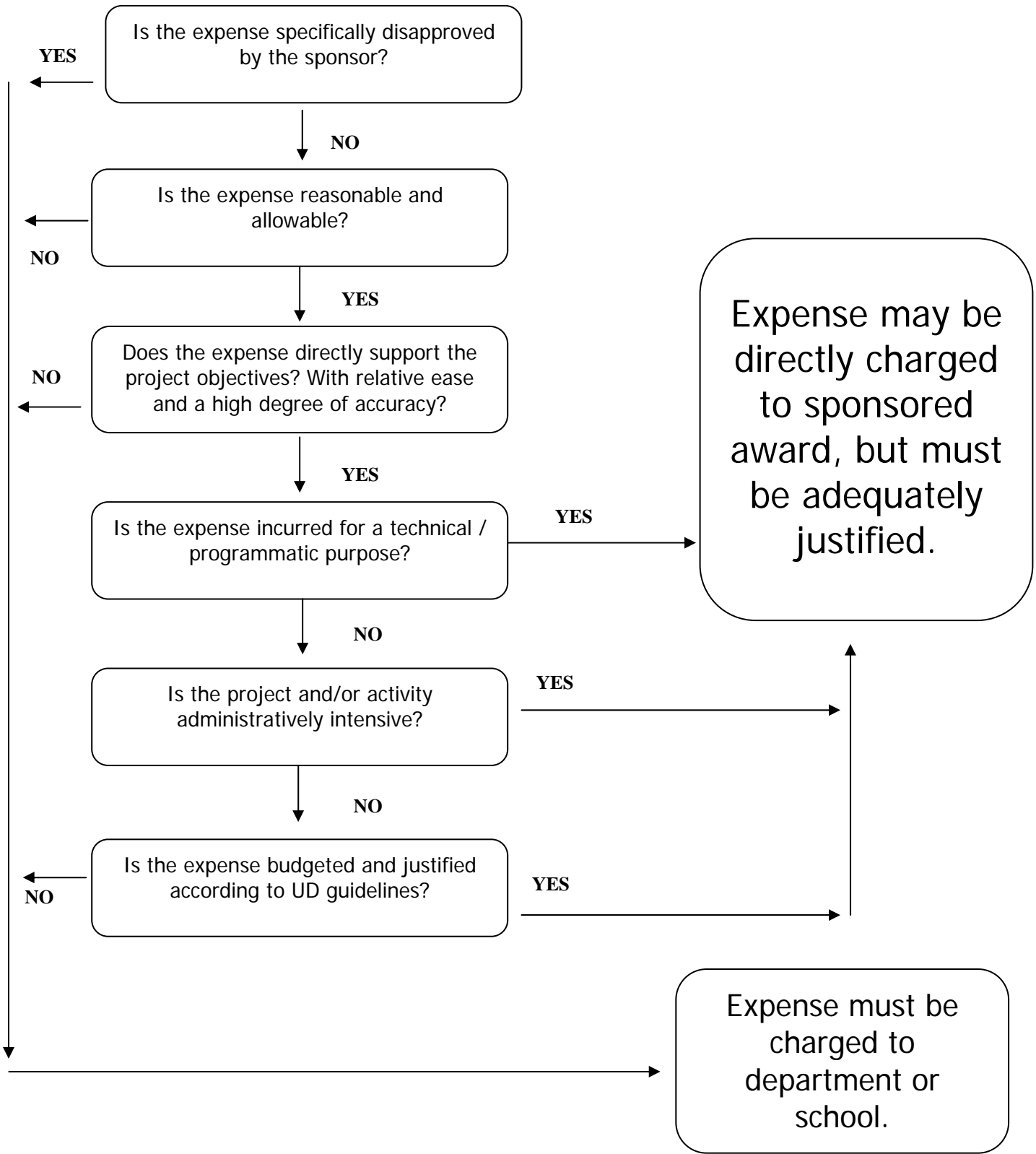
UNALLOWABLE COSTS DESCRIPTION

ADVERTISING & PUBLIC RELATIONS COSTS	Purchase of promotional items. Production & distribution of magazines, newsletters, direct mail unless directly related to the performance of a sponsored project. Expenses for employee and subject recruitment allowable.
ALCOHOLIC BEVERAGES	Alcohol beverages are unallowable
ALUMNI/AE ACTIVITIES	Costs incurred for, or in support of, alumni/ae activities and similar services are unallowable
BAD DEBTS	Any losses, whether actual or estimated, arising from uncollectible accounts and other claims, related collections costs, and related legal costs, are unallowable
COMMENCEMENT AND CONVOCATION COSTS	Contributions to a contingency reserve or any similar provision made for events, the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable.
DIRECTLY ASSOCIATED UNALLOWABLE COSTS	Costs that are directly associated with the unallowable costs are also unallowable. A directly associated costs is defined in federal regulations as any cost which is generated solely as a result of the incidence of another cost, and which would not have been incurred had the other cost not been incurred. An example of a cost that is directly associated with an unallowable cost is the cost of airfare to go to another city for the purpose of entertaining business associates, or fundraising. Since entertainment and fundraising costs are expressly unallowable under OMB circular A-21, and the airfare would not have been incurred had the unallowable costs not been incurred, the airfare is an unallowable directly associated cost.
ENTERTAINMENT	Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.
FINES AND PENALTIES	Costs resulting from violations or, or failure of the institution to comply with, Federal, State, and local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the sponsored agreement, or instructions in writing

	from the authorized official of the sponsoring agency authorizing in advance such payments.
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FUND RAISING	Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, are unallowable.
GOODS OR SERVICES FOR PERSONAL USE	Costs of goods or services for personal use of the institution's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.
LOBBYING	Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, legislation, or similar procedure, through in kind or cash contributions, endorsements, publicity or similar activity.
LOSSES ON OTHER SPONSORED AGREEMENTS OR CONTRACTS (COST OVERRUNS)	Any excess of costs over income under any other sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to, the institution's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for F&A costs.
MEDICAL LIABILITY INSURANCE	Only allowable on research programs to the extent that the research involves human subjects.
MEMBERSHIPS	Membership in any civic or community organization or country club or social or dining club or organization are unallowable. As is membership in business, technical, and professional organizations.
SELLING AND MARKETING	Costs of selling and marketing any products or services of the institution are unallowable.
STUDENT ACTIVITY COSTS	Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the sponsored agreements.
PRE-AGREEMENT COSTS	Costs incurred prior to the effective date of the sponsored project, whether or not they would have been allowable there under if incurred after such date, are unallowable unless specifically set forth and identified in the sponsored agreement, or approved through prior approval procedures.

CHARGING ADMINISTRATIVE AND TECHNICAL EXPENSES



APPENDIX D

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 UD's F&A Cost Rate Proposal, the University negotiates with the government (through ONR) 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 UD 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.

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.