

UAB DIRECT AND INDIRECT COSTS POLICY

I. Introduction

Federal regulations (OMB Circular A-21 and the Federal Cost Accounting Standards) require that the same type of costs be treated consistently as direct or indirect costs.

This policy provides guidance to University staff to assure compliance with the Federal requirements.

II. Applicability

This policy applies to all Federal and Non-federal sponsored agreements.

Each center, department, lab, etc. in which UAB sponsored activity occurs must follow the costing practices described herein. Any proposed exceptions to this policy must be documented by the unit using the form [University Approval for Items Normally Charged as Indirect \(F&A\) Costs to be Charged as Direct Costs](#).

III. Effective Date

This policy is effective for all sponsored projects submitted to OSP after September 20, 1996, as amended February 29, 2012.

IV. Definitions

A. Direct Costs

Costs that can be identified specifically with a particular sponsored project, an instructional activity or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. (OMB Circular A-21, Section D.1.)

B. Indirect Costs (Facilities and Administrative Costs)

Costs that 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. (OMB Circular A-21, Section E.1.)

V. Consistent Treatment of 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 type of costs are not charged to Federally sponsored agreements both as direct costs and as indirect costs. This concept is reinforced and emphasized in a Cost Accounting Standard (referred to as "CAS 502") that educational institutions are required to follow.

Consistency, in this context, means that costs incurred for the same purpose, in like circumstances, must be treated uniformly as either direct costs or as indirect costs. Thus, since certain types of costs, such as the salaries of administrative/ clerical staff, office supplies, and postage are normally treated as indirect costs, the same types of costs cannot be charged directly to sponsored agreements, unless the circumstances related to a particular project are clearly different from the normal operations of the institution. For example, although postage is normally treated as an indirect cost, a particular project may have a special need for postage because of the mailing of hundreds of survey questionnaires. In this case, it would be appropriate to charge the project directly for the postage to mail the questionnaires, since this would constitute "unlike circumstances" compared to routine postage requirements.

VI. Direct Costs

The primary direct cost functions of UAB are Instruction, Organized Research, Other Sponsored Activities (OSA), Service Centers, and Other Institutional Activities (OIA). Costs incurred in the conduct of these activities, such as salaries and wages, fringe benefits, materials and supplies, and other operating expenses, are treated as direct costs and identified through specific allocation to the benefiting projects and activities.

If a direct cost benefits two or more sponsored projects, A-21 provides standards for its allocation across those sponsored projects. Direct charges to a sponsored project should support the project's purpose and activities, and should be necessary to meet the project's specific scientific and technical requirements. Such charges cannot be assigned arbitrarily, or for the purpose of simplified budget management. In addition, direct charges to a sponsored project are expected to adhere to the sponsor's restrictions in the Notice of Award and budget and to support the sponsor's programmatic intent.

VII. Normal Indirect Costs

ADMINISTRATIVE/CLERICAL SALARIES AND FRINGE BENEFITS

1. As required by Circular A-21, the salaries of administrative/clerical staff shall normally be treated as indirect costs. They may be charged directly only under exceptional circumstances.
(OMB Circular A-21, Section F.6.b)

2. Direct charging of administrative/clerical salaries may be appropriate where a major project explicitly budgets for administrative/clerical services and the individuals involved can be specifically identified to the project. Circular A-21 defines "major project" as a project that requires an extensive amount of administrative/clerical support which is significantly greater than the routine level of such services provided by academic departments.

3. Examples of "major project" where direct charging of administrative/clerical staff salaries may be appropriate are given in Exhibit C of OMB Circular A-21, as listed below. These examples are not exhaustive nor are they intended to imply that direct charging of administrative costs would always be appropriate for the situations illustrated in the examples.

- 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 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
- Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications
- Institutional allowance for training grants

4. "Major projects" do not have *carte blanche* approval for charging administrative costs. Administrative/clerical salaries may be charged directly to the agreement only if they meet all of the following conditions:

- They fall within the special circumstances described in Circular A-21.
- The individuals have responsibilities specifically related to the work of the project and the effort devoted to the project is documented and certified in the University's payroll system.
- The title(s), percent of effort, and salary amount(s) for the administrative/clerical position(s) are included in the proposed budget of the sponsored agreement, and the special circumstances requiring direct charging of the services are justified in the proposal. A designated official in the academic unit will review the proposal for appropriateness of the administrative/clerical salaries. Department head approval on the University's proposal routing sheet will serve as documentation that this review has taken place.
- The sponsoring agency accepts the cost as part of the project's direct cost budget (i.e., does not specifically disapprove the cost in the award or other notification to the University). For

programs that do not require submission of a project budget to the sponsoring agency, e.g., NIH modular grants, the cost must be justified and approved by a designated official in the academic unit. A copy of the approved justification should be forwarded to Office of Sponsored Programs with the proposal.

5. If an administrative/clerical salary meets the first two (2) conditions as listed in item 4 above but was not included in the approved budget of the sponsored agreement, the salary may be charged directly to the agreement only where the University has rebudgeting authority under Federal regulations or the terms of the sponsored agreement (please see specific award document or contact Office of Sponsored Programs for rebudgeting requirements). The rebudgeting request must be in writing and the justification must include the same information that would have been provided in the proposed project budget and must explain why the salary was not in the original budget. A designated official in the academic unit will approve these requests, if the designated official is satisfied that the costs are appropriate and that the sponsoring agency would have approved the cost had it been in the original budget.

OTHER NORMAL INDIRECT COSTS

1. The following costs are normally indirect. They may be charged directly only under special circumstances:

Office Supplies

Postage

Local Telephone Services

Memberships

Laptops and Ipads

- These costs may be directly charged only where they meet all of the following requirements.
 - The project has a special need for the item or service that is beyond the level of services normally provided by departmental administration.
 - The cost can be specifically identified to the technical scope of work conducted under the project and is appropriately documented.
 - The cost is specified in the proposed budget of the sponsored agreement, and the special circumstances requiring direct charging are justified in the proposal.
 - The sponsoring agency accepts the cost as part of the project's direct cost budget (i.e., does not specifically disapprove the cost in the award or other notification to the University). For programs that do not require submission of a project budget to the sponsoring agency, e.g., NIH modular grants, the cost must be justified and approved by the designated official of the academic unit. A copy of the approved justification should be forwarded to Office of Sponsored Programs with the proposal.
- If the cost meets the first two (2) conditions listed Section VII (2) but was not included in the approved budget of the sponsored agreement, it may be charged directly to the agreement only

where the University has rebudgeting authority under federal regulations or the terms of the sponsored agreement (please see specific award document or contact Office of Sponsored Programs for rebudgeting requirements). The rebudgeting request must be in writing and the justification must include the same information that would have been provided in the proposed project budget and must explain why the cost was not in the original budget. The designated official of the academic unit will approve these requests if the designated official is satisfied that the costs are appropriate and that the sponsoring agency would have approved the cost had it been in the original proposal.

- Examples of "unlike circumstances" where the costs may be directly charged to the agreement are:
 - membership fee required in order to attend a conference, where the conference is part of the agreement
 - membership fee required in order to subscribe to a journal, where the subscription is necessary for the agreement
 - postage for reprints, only in unusual circumstances, e.g., very large volume of reprints
 - express mail
 - shipping costs
 - lab notebooks, pens, and other office-type supplies stored and used only in the laboratory or field for the technical work

VIII. Implementation

The Vice President for Financial Affairs & Administration, through the Grants and Contracts Accounting Department, and the Office of Vice President for Research and Economic Development, through the Office of Sponsored Programs, are responsible for developing, implementing, and maintaining the procedures associated with this policy. Though the regulations are already in effect, implementation of this specific UAB policy is effective April 16, 2012.