



Campus Administrative Policy

Policy Title: Direct Changes to Federally Sponsored Projects

Policy Number: 2013 Functional Area: **Finance**

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Approved by: Vice Chancellor for Research

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Applies to: University of Colorado Denver
 University of Colorado Anschutz Medical Campus

A. INTRODUCTION

On November 8, 1994, the federal government issued regulations requiring universities to comply with four Cost Accounting Standards (CAS) passed by the CAS Board (CASB), relating to contracts involving federal funds. Coverage of these standards was extended to grants and cooperative agreements by the Office of Management and Budget’s (OMB) May 8, 1996, revision to Circular A-21, Cost Principles for Educational Institutions (OMB A-21). In addition to the requirements identified in OMB Circular A-21, specific direction has been issued restricting expenditures for certain purposes. The University of Colorado Denver is responsible for filing a Disclosure Statement (DS-2) with the Department of Health and Human Services (DHHS) which describes its accounting practices, policies and procedures for assigning costs to federally sponsored projects, and attests to the consistency of those practices.

Charges to federally funded projects that are not in compliance with cost principles and standards are subject to being refunded to the federal government. Audit findings per OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, represent both a financial and a reputation exposure often associated with the negative publicity about disallowed costs for the institution.

This policy represents University of Colorado Denver and University of Colorado Anschutz Medical Campus's best judgment about the appropriate application of OMB A-21 requirements of costs charged to research grants, at this time, and under present and reasonably foreseeable circumstances. This policy is not a comprehensive and legal restatement of all of OMB A-21's requirements. Within OMB A-21's framework, this policy is intended to provide support for CU Denver's and CU Anschutz's research activities.

Each CU Denver | CU Anschutz administrative unit (defined as part of a school, college, department, division, center, institution section or large program) is responsible for complying with and enforcing this policy and related procedures. Any penalties, disallowances or losses of funding caused by non-compliance with this policy will be the responsibility of the administrative unit in violation.

1. CU Denver | CU Anschutz Administration Responsibilities

CU Denver | CU Anschutz administration is responsible for developing a set of operating principles and guidelines that comply with OMB A-21 and CASB standards, and clearly delineate those research-related expenses identified as direct costs versus facilities and administrative (F&A) costs. CU Denver | CU Anschutz administration is responsible for providing thorough fiscal policy, communicating policy changes to the faculty and staff, and overseeing the implementation of policy. The Office of Grants and Contracts (OGC) is the unit designated to carry out policy oversight responsibilities for CU Denver | CU Anschutz.

2. Administrative Unit Responsibilities

Each school or college has ultimate responsibility for implementing and monitoring compliance with this policy. Each school or college is responsible for clearly delineating the responsibilities between the school or college and its administrative units. Administrative units are the primary support for providing the principal investigator (PI) with the information necessary to fulfill his/her fiduciary and sponsored project management responsibilities.

3. PI Responsibilities

Responsibility for scientific and budgetary decision-making in research grants and contracts, following CU Denver | CU Anschutz policies, is assigned to and must be accepted by the individual designated as the PI for the contract or grant. These decisions must be recorded in a manner that assures their subsequent accurate implementation. The PI is responsible for giving the administrative unit instructions on specific allocation of funds based on a "facts and circumstances" test that considers the needs of the project. While the administrative unit administrators provide PIs essential management support in this area, PIs are

responsible for making the crucial financial decisions related to costs.

4. **Applicability**

To ensure the consistent treatment of costs, CU Denver | CU Anschutz has incorporated OMB A-21 cost accounting principles into its accounting practices and adopted these principles as policy for costs on federal awards, whether awarded directly to CU Denver | CU Anschutz as a prime recipient, or indirectly through a sub-agreement from another institution. These principles apply except to the extent they are modified in writing by awarding agencies via project regulations, policy statements, guidelines or other instructions. This policy does not normally apply to non-federal sponsored projects.

Administrative expenses which directly benefit awards and are allowable per the award may be charged directly to those awards. However, this policy does apply if the non-federal sponsor receives federal funding for the project, specifically adopts OMB A-21 guidelines, or has its own policies restricting administrative charges. Expenditures must follow the sponsor policies and award guidelines.

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C. DEFINITIONS

- 1. Capital Equipment is an article of non-expendable tangible personal property

having a useful life of more than one year and an acquisition cost of \$5,000 or more. This includes donated equipment, and equipment being constructed where component parts may be less than \$5,000 each, but the total cost will be \$5,000 or more.

2. Direct Costs are costs that can be identified specifically with a particular CU Denver | CU Anschutz project, or that can be assigned to such activities relatively easily with a high degree of accuracy.
3. Facilities & Administrative (F&A) Costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically.
 - a. Examples of facilities costs include building depreciation, maintenance and repairs, health and safety, grounds maintenance, and security.
 - b. Examples of administrative costs include administrative and clerical salaries, local telephone service, membership dues, office supplies and postage.
4. Sponsored Projects Sponsored Projects are research, instructional, or public service activities that are related to the mission of the CU Denver | CU Anschutz and sponsored by external agencies or entities. If an award meets at least one of the following criteria, it is likely a Sponsored Project. However, the existence of any one of the criteria may not be determinative.
 - a. The award is a grant or contract from a governmental entity, unless exempted under OMB Circular A-21.
 - b. The proposal responds to a Request for Application (RFA), Request for Proposal (RFP), or other formal solicitation, and the project is initiated by notice of award. Certain RFPs issued by private charitable foundations may not qualify as a Sponsored Project.
 - c. The award includes terms that bind the university to a list of scholarly or scientific inquiry.
 - d. The Statement of Work specifies programmatic objectives mutually agreed upon by the university and the sponsor, which are to be accomplished within a specific period of time or within a detailed budget framework.
 - e. The sponsor is entitled to receive the following types of deliverables: a detailed technical report of research results, milestone reports, or a required report of allowable expenditures. Certain reporting requirements of private charitable foundations that are stewardship- or accountability-oriented may not qualify as Sponsored Projects.
 - f. The award requires separate accounting procedures and detailed financial reports.
 - g. The sponsor requires the return of unexpended funds or only reimburses for incurred costs (expenditure-driven).
 - h. The award provides for compliance audits by or on behalf of the sponsor, which may or may not include a financial audit.
 - i. The award is for a project requiring compliance oversight including, but not limited to: human subjects, animal use, biohazards, or bio-safety.

- j. The award terms include publication or data restrictions or monitoring.
- k. The sponsor requests intellectual property rights or controls the disposition of capital equipment.
- l. The award is by a sponsor who has licensing rights to inventions from the same lab/researcher benefiting from the award.
- m. The sponsor designates a sponsor employee (agent) as project technical monitor (as opposed to designating a contact person to improve communications).
- n. The award is for a sub-award project under a federal award.
- o. The award requires a matching or cost sharing commitment on the part of the university.
- p. The award generates program income to a federal award.
- q. The award from the sponsor is for membership fees to centers and affiliate programs. The university may receive membership fees for its centers and affiliate programs, as characterized by any one of the following examples:
 - i. The member agreement imparts “Center Member” status to the sponsor.
 - ii. The member receives the right to exert any type of control over the operation of the institute, center or program.
 - iii. The member receives special or discounted access to laboratories or other university facilities for its use.
 - iv. The member receives patent, licensing rights, or other intellectual property rights provisions benefiting the sponsor.

D. POLICY STATEMENT

1. Requirements

Adherence to the federal cost principles and requirements outlined in OMB A-21 is critical to the acceptance and allowance of CU Denver | CU Anschutz charges to federally sponsored projects. The basic requirements for all sponsored projects are:

- a. Costs must be reasonable and necessary for the performance of the sponsored project, and incurred within the project period. Failure to adequately document a cost could result in disallowance of a legitimate charge.
- b. Costs must be allocable to the project. For costs benefiting more than one sponsored project, the relative benefit must be approximated through the use of a reasonable basis reflecting use or level of service. Costs should be allocated to the projects in proportion to the benefits received.
- c. Costs must be consistently treated as either direct or F&A costs. 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 F&A costs. Thus, certain types of costs, such as salaries of administrative/clerical staff, office supplies, and postage are normally

treated as F&A costs. The same types of costs cannot be charged directly to federally 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 a F&A 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.

2. **Direct Charging Practices that Are Not Allowable**

OMB Circular A-21 requires that direct costs "be identified specifically with particular sponsored project... relatively easily with a high degree of accuracy." Special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct costs or F&A costs. For example, salaries of technical staff, laboratory or research supplies (e.g., chemicals), telephone toll charges, animals, animal care costs, human subject payments, equipment, computer costs, travel costs, and specialized shop costs shall be treated as direct costs wherever identifiable to a particular project. Direct charging of these costs may be accomplished through specific identification of individual costs benefiting sponsored projects or through Service Centers as appropriate under the circumstances.

Examples of direct charging practices not acceptable to sponsored projects:

- a. Rotation of charges among sponsored projects by month without establishing that the rotation schedule credibly reflects the relative benefit to each grant.
- b. Assigning charges to the sponsored project with the largest remaining balance or other basis outside of the benefit to the project.
- c. Charging the budget amount in contrast to charging an amount based on actual usage.
- d. Assigning charges to sponsored projects in advance of the time the cost is incurred.
- e. Assigning charges to sponsored projects that were incurred outside of the project period, including a pre-award period if applicable.
- f. Identifying a cost as something other than what it actually is.
- g. Charging expenses exclusively to sponsored projects when the expense has supported non-sponsored project activities.
- h. Assigning charges that are part of the normal administrative support for contracts and grants (e.g., proposal preparation, accounting, payroll)
- i. Charging ending sponsored projects to expend funds without regard to the appropriateness of the costs.
- j. Shifting costs to other sponsored projects due to cost overruns, avoidance of restrictions imposed by law, or for convenience. Convenience would include charging a direct cost to a project on a temporary basis, pending the set-up of a new project account number.

- k. Charging administrative costs directly to sponsored projects because the administrative unit requires the PIs to fund these costs (i.e. telephone, office supplies).

Note: Special circumstances may be included in the terms of award or in overreaching principles. For example, no federal funds can be used for stem cell research for “(1) the derivation or use of stem cell lines derived from newly destroyed embryos; (2) the creation of any human embryos for research purposes; or (3) the cloning of human embryos for any purpose.”

3. **Direct Charging Administrative Costs that are Normally Considered F&A**

a. Conditions to Direct Charge Administrative Costs

Direct charging administrative costs may be appropriate if the expense meets all of the following conditions:

- i. The cost is specified in the proposed budget of the sponsored agreement, and the special circumstances requiring direct charging are justified in the proposal;

and

- ii. 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 CU Denver | CU Anschutz). For projects that do not require submission of a project budget to the sponsoring agency, the cost must be justified and accepted by the Office of Grants and Contracts. It should be noted that approval of the budget by an agency (i.e. NIH) does not necessarily make the administrative costs appropriate. NIH states that the organization is responsible for presenting costs consistently and must not include costs associated with their F&A rate as direct costs.

iii. Special Project Needs

- The project has a special need for the item or service that is beyond the level of services normally provided by the administrative unit personnel because it is considered a “major” project by OMB A-21 standards; (See Exhibit C for examples); or,
- The cost can be specifically identified to the technical scope of Work conducted under the project and is appropriately documented. The project does not need to be major for those costs to qualify as technical costs and to be charged directly. They must, however, meet the other conditions in this Section E.1 in order to be directly charged.
- The cost must meet basic requirements identified in Section E.1 of this policy.

iv. If the cost meets the conditions described above but was not in the approved budget, it may be charged directly only if:

- CU Denver | CU Anschutz has re-budgeting authority under federal regulations or the terms of the award or sponsor allows for changes; and,
- Written justification is prepared (see Exhibits for location specific processes) which adequately explains the need for the cost and why it was not included in the proposal submitted to the sponsoring agency; and,
- Acceptance is provided by OGC.

See Exhibit C for more details on when costs that are typically administrative in nature can be directly charged to a sponsored project.

4. **Restriction on the Use of Federal Funds for Stem Cell Research**

CU Denver | CU Anschutz PIs and staff, who conduct research in laboratories where there is both federal and non-federal funding, must separate allowable and unallowable activities in such a way that permits the costs incurred in the research to be allocated consistently to the appropriate funding source. An investigator that receives federal funding and is planning to derive new human embryonic stem cell lines may do the derivation in his/her university-supported laboratory as long as the PI carefully and consistently allocates all costs of doing the derivation to a non-federal funding source.

According to the National Institutes of Health, “Research on human embryonic stem cell lines may receive NIH funding if the cell line meets the following criteria: removal of cells from the embryo must have been initiated before August 9, 2001, when the President outlined this policy; and the embryo from which the stem cell line was derived must no longer have had the possibility of developing further as a human being. The embryo must have been created for reproductive purposes but no longer be needed for them. Informed consent must have been obtained from the parent(s) for the donation of the embryo, and no financial inducements for donation are allowed.

“In order to ensure that federal funds are used to support only stem cell research that is scientifically sound, legal, and ethical, NIH examines stem cell lines and maintains a registry of those lines that satisfy the criteria.”

5. **Other Types of Direct Charging**

This policy covers all direct charging to sponsored projects. The other types of costs that are direct charged to sponsored projects are covered in the following Exhibits:

- a. Exhibit C, Administrative Costs. Provides explanation of when it is and is not appropriate to direct charge expenses that are typically administrative.
- b. Exhibit D, Faculty and Other Salary. Explains direct charging Faculty and other research salaries and the required Personnel Effort Reporting for these salary charges.
- c. Exhibit F, Quick Reference for Sponsored Projects Expenditures. This guide covers basic expenditures on sponsored projects and provides information on whether these costs can be direct charged to sponsored projects.

Notes

1. Dates of official enactment and amendments:
January 1, 2006: Adopted by CU Denver | CU Anschutz
May 1, 2011: Revised
February 1, 2019: Modified
2. History:
February 1, 2019: Modified to reflect a Campus-wide effort to recast and revitalize Campus policy sites into a standardized and more coherent set of chaptered policy statement organized around the several operational divisions of the university. Article links, University branding, and formatting updated by the Provost's office.
3. Initial Policy Effective Date: January 1, 2006
4. Cross References/Appendix:
 - CAS 9905.501 - Consistency in estimating, accumulating and reporting costs.
 - CAS 9905.502 - Consistency in allocating costs incurred for the same purpose.
 - CAS 9905.505 - Accounting for unallowable costs.
 - CAS 9905.506 - Cost accounting period.
 - Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions* (OMB A-21)
 - Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, (OMB A-133)
 - Executive Order 13505: *Removing Barriers to Responsible Scientific Research Involving Human Stem Cells*
 - *National Institutes of Health Guidelines on Human Stem Cell Research*
 - University of Colorado Denver *Cost Accounting Standards Board Disclosure Statement for Educational Institutions* (CASB DS-2)