



# CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS ADMINISTRATIVE POLICY MANUAL

## **Academic Affairs**

**Approved By:** Richard R. Rush  
President

**Policy Number:** AA.11.002

**Effective Date:** 4/10/07

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## **Policy on Cost Allocation, Cost Recovery, and Cost Sharing**

### **PURPOSE:**

Provide guidance and structure when allocating and documenting costs (direct and indirect) for extramurally funded awards. Serves to provide direction for budgeting, allocating and documenting costs, and cost sharing in accordance with federal guidelines and CSU/CSUCI guidelines. Establishes that costs be recovered for sponsored programs in accordance with funding agency requirements, CSU and CSUCI policies.

### **BACKGROUND:**

Executive Order 890 requires campuses have a policy on cost recovery and cost sharing. Consistent treatment of costs (direct, indirect, and cost sharing) is essential in the successful administration of sponsored agreements. Additional background and requirements can be found in:

- OMB Circular No. A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Nonprofit Organizations"  
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- OMB Circular No. A-21, "Cost Principles for Educational Institutions"  
<http://www.whitehouse.gov/omb/circulars/a021/a021.html>
- State Administrative Manual, Section 8752.1  
<http://www.ucop.edu/raohome/cgmanual/chap07.html#7-s01>

### **POLICY:**

#### **Accountability:**

- Office of Research and Sponsored Programs (ORSP)
- Finance and Administration (F&A)
- Principal Investigators (PI)

#### **Applicability:**

This policy applies to all sponsored agreements except those that are funded internal to the CSU without a federal, state, or other sponsor. This policy also applies to any award that arises when either the CSUCI Foundation or Associated Students have passed through funding to the University for award administration as specified in the Master Agreement between CSU Channel Islands and CSUCI Foundation for Administration of Grants and Contracts.

#### **Definition(s):**



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**Contract:** A written agreement between the University and a sponsor to provide an economic benefit to the sponsor, generally in the form of services, for compensation. The agreement is binding and creates a quid pro quo relationship between the parties.

**Cost Sharing:** Sometimes referred to as “matching,” cost sharing is the portion of project costs not borne (reimbursed/funded) by the sponsor. Cost sharing falls into one of two categories:

- 1) **Committed Cost Sharing:** Cost sharing that is quantified *in the proposal budget, budget justification, or stated in award documents*. Committed Cost Sharing is either:
  - a) **Mandatory Committed Cost Sharing:** Cost sharing that is required in order to be eligible to apply for an award, or
  - b) **Voluntary Committed Cost Sharing:** Cost sharing that is not explicitly required in order to be eligible to apply for an award.
- 2) **Uncommitted Cost Sharing:** Cost sharing that is not budgeted, or quantified in any other way, in a sponsored agreement. Uncommitted cost sharing need not be tracked for cost accounting purposes or reported to the sponsor, and if it arises from faculty or other personnel effort, it is excluded from separate identification in effort reporting. Voluntary Uncommitted Cost Sharing most commonly results from a cost overrun on a project, or from researchers’ effort which is over and above that committed and budgeted in a sponsored agreement.

**Costs:** A cost that is eligible for reimbursement by the sponsor must be:

- 1) **Reasonable:** A prudent business person would have purchased this item or service at this price
- 2) **Allocable:** The cost can be assigned to the activity on a reasonable basis
- 3) **Consistently Treated:** Cost of a similar nature in like circumstances are treated consistently as either direct or F&A costs
- 4) **Allowable:** Specifically allowable as defined in government regulations

Cost can be either direct or Facilities and Administrative:

**Direct Costs:** Costs associated with activities from which the project derives a direct benefit. Direct costs are costs which can be easily and accurately identified for an individual project, an instructional activity, or any other institutional activity. Directs costs *may* include expenses such as researcher salaries and associate fringe benefits, laboratory supplies, and project related travel and equipment.



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Facilities and Administrative (F&A) Costs: Also known as Indirect Costs (overhead), F&A costs are costs incurred for common or joint objectives that cannot be readily or specifically attributed to a particular sponsored project, an instructional activity, or any other institutional activity. These costs differ from direct costs in that it is difficult and impractical to identify and attribute them on an individual project.

Disallowed Costs: Costs charged to a sponsored agreement that the sponsor determines to be unallowable, in accordance with the applicable federal cost principles or other terms and conditions contained in the award.

Facilities and Administrative Cost Recovery: The reimbursement by the sponsor for actual indirect costs incurred by the institution in support of sponsored project. This rate is comprised of two components: a facilities costs and administrative costs. The rate is negotiated with the Department of Health and Human Services as our cognizant agency in accordance with OMB Circular A-21.

Gift: A gift is an item of value given to CSUCI by a donor who expects nothing of significant value in return other than fulfilling the donor's charitable purpose and, perhaps, recognition. Gifts will not include specific deliverables to the donor, generally do not have precise budgetary restrictions and are generally irrevocable. Gifts are not sponsored agreements and are not covered by this policy.

Grant: An appropriate formal written agreement between a public agency, commercial entity or private foundation (grantor) and CSUCI (recipient organization, grantee) establishing a relationship that transfers to CSUCI funds, property, or services to accomplish a public purpose, without substantial involvement of the grantor during performance of the contemplated grant activity but with the expectation of results or benefits of some kind for the sponsor or the public good. A grant involves an obligation between the parties. In contrast, a gift does not, although a gift recipient is legally obligated to follow gift restrictions, and, in the case of non-cash gifts, a formal deed document may be used to substantiate the nature and extent of the gift.

Memorandum of Understanding (MOU): A legal document outlining the terms and details of an agreement between parties, including each parties' requirements and responsibilities. The MOU is often the first stage in the formation of a formal contract, yet is given weight in a court of law should one party fail to meet the obligations of the memorandum.



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Sponsor: An individual, company, institution, or organization providing financial support for the project under a grant or a contract.

Sponsored Agreement: For purposes of this policy, a sponsored agreement is any grant, contract, or other formal, written agreement (subcontract, subaward, subrecipient agreement, or memorandum of understanding) between CSUCI and a non-CSU institution. A sponsored agreement, as opposed to a gift, will generally include a statement of work, has a formal budget and represents a reciprocal transaction in which both parties to the agreement receive value. Sponsored agreements are expected to charge the fully negotiated F&A rate.

Subcontract or Subrecipient Agreement: A subcontract is similar to a contract except that the contract is entered into with an intermediary organization who may impose additional constraints to those in its contract with the funding agency.

Unallowable Costs: A cost that is not eligible for reimbursement by the sponsor per the applicable sponsor guidelines or terms and conditions contained in the award.

### Text:

Costing: Sponsored projects should be charged their fair share and only their fair share total project costs. All costs must be allowable, reasonable, allocable and consistently treated. Those costs charged directly to the project shall represent actual costs and will be for charges that are not included in the Facilities and Administrative cost pool. Examples of the differences between costs that should be direct charged and those included as indirect charges in the Facilities and Administrative pool are included in Exhibit A to this document. The method of estimating costs for proposal purposes shall be consistent with the method used for charging costs.

Cost Sharing: CSUCI supports sponsored activity, but also must ensure that its cost sharing commitments do not overburden its resources. **Voluntary cost sharing is discouraged and is generally not allowed.** Cost sharing is only allowed when required by the sponsor in order to be eligible to apply for the award, or where ORSP has determined that such a contribution is necessary to ensure the success of a proposal.

The amount and type of cost sharing are negotiated with the sponsor and can take the form of a cash contribution, release of faculty or other paid staff to work on the project, contribution of equipment, space, materials, or services. The funding and contributions from external third parties may also be claimed as cost sharing if allowed by the donor or sponsor.



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All cost sharing must be approved as part of the Proposal Administrative Review (PAR) process. **Cost sharing obligations, whether mandatory or voluntary, must be approved by the applicable program chair, Dean, Division VP, ORSP, and, if applicable, the CSUCI Foundation.** Cost sharing commitments must be noted on the PAR form and clearly and separately budgeted. Cost sharing obligations must be kept to a reasonable level and are generally met through Departmental or Divisional resources. Only in rare circumstances will the University provide resources directly as cost sharing.

Facilities and Administrative Costs: All grants or contracts, whether administered through the University or an auxiliary, should seek to obtain the maximum allowable F&A cost rate in accordance with CSUCI's negotiated indirect cost rate. Various Federal and State agencies by policy pay less than the University's negotiated indirect cost rate. When the maximum rate allowed by the agency is less than CSUCI's negotiated F&A cost rate, the lower rate *may* be acceptable. ORSP shall maintain a list of those agencies exempted from this requirement and indicate the rate that CSUCI will accept.



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## **Policy on Cost Allocation, Cost Recovery, and Cost Sharing**

### **EXHIBIT A:**

#### **Examples of Direct and Indirect Costs**

1) Administrative and Clerical salaries: The salaries and fringe benefits of administrative and clerical staff and other general administrative expenses are not allowed as direct charges to sponsored agreements except in special circumstances. Examples of projects where the direct charging of administrative and clerical support salaries may be appropriate include major, complex, multi-investigator projects, that entail assembling and managing teams of investigators. It may also be permissible to charge these expenses to single investigator projects that require an extraordinary level of clerical and administrative support. Examples of projects where it may be appropriate to include such charges are projects that:

- Involve extensive data accumulation, analysis, surveying, tabulating, cataloging, searching, and reporting, such as data reduction, epidemiological studies and clinical trials
- Require making extensive travel and meeting arrangements for a large number of participants, such as conferences and seminars
- Principally focus on the preparation and production of manuals and large reports (other than routine progress and technical reports), books, and monographs
- Can't access geographically normal departmental administrative services (e.g., off-campus research)
- Require project-specific database management, individualized graphics or manuscript preparation, human or animal protocols, IRB preparations, and/or other project-specific regulatory protocols, and multiple project-related investigator coordination and communications

Any such charges must have been included in the sponsor-approved budget.

Administrative and clerical salaries and fringe benefits associated with routine services such as typing reports, filing, handling mail, budget monitoring, making travel arrangements, processing procurement and human resources paperwork, answering telephones, etc., should not be budgeted or charged as direct costs, even when there is a direct benefit to the project.



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### Responsibility for Compliance – Administrative and Clerical Staff

Principal Investigators and their units (Department, Division) are responsible for ensuring that costs assigned to sponsored agreements are authorized and appropriate, and are liable for bearing the cost of any disallowed item(s).

### 2) Office Supplies and Services

#### Office Supplies

Office supplies that are normally used in the general administrative support of a project should neither be included in the budget or charged to the project. Office supplies that are used exclusively for project-specific activities may be included in the budget and, if approved by the sponsor, actual costs charged. Since many items of office supplies are used for both general administrative support and project-specific activities, it is important that these items, when included in the budget, be described in terms of their proposed use.

#### Local Telephone Costs

Local telephone costs when used to conduct routine business of the project should neither be included in the budget or charged to the project. Telephone lines, including data lines, modems, and telephones, used to conduct surveys or to maintain contact with project activities conducted at remote locations may sometimes be included in the budget and, if approved by the sponsor, actual costs charged.

#### Telephone Toll Calls

Telephone toll calls (long distance) may be included in the budget and charged to the project. However, care must be taken to ensure that calls are directly related to project-specific activities, and can be identified and allocated appropriately and accurately.

#### Memberships in Professional and Scientific Organizations

Memberships in professional and scientific organizations are unallowable as a direct cost on sponsored agreements unless the membership is specifically identified and requested as a part of the project budget and the budget line item is allowed or the cost is specifically approved in writing by the sponsor. Justification to the agency may be acceptable if, for example, membership is the sole means for acquiring a subscription to a journal that is necessary solely for the conduct of the project.

#### Postage

Postage may be included in the budget and charged to the project when it is directly related to the



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conduct of the study, including correspondence with the sponsor and project participants. Additional postage may be included in the budget to disseminate surveys and materials produced as a result of the project activities.

When any of the above costs are included in proposal budgets, they should be explicitly detailed and justified. Only the actual costs incurred can be charged to the project.

### **Responsibility for Compliance – Office Supplies and Services**

Principal Investigators and their units (Department, Division) are responsible for ensuring that costs assigned to sponsored agreements are authorized and appropriate, and are liable for bearing the cost of any disallowed item(s).





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### **EXHIBIT B:**

#### **Examples of Cost Sharing**

Once cost sharing is included and quantified in a sponsored project proposal's budget and/or budget justification, it becomes a CSUCI commitment and must be honored. If a sponsored project proposal that contains cost sharing is awarded, CSUCI will have additional responsibility to monitor, document, and report its cost sharing commitment appropriately to the sponsor.

PIs and their units (Department, Division) are responsible for meeting all cost sharing obligations. In the event that a third party defaults on a cost-sharing commitment, the PI is required to procure the funds from another acceptable source or from their Department or Division budgets.

An expense can only be used once as a source of cost sharing. The same expense cannot be used multiple times as cost sharing. For example, the purchase of a piece of equipment cannot be included as a cost share expense on more than one project.

Cost sharing must meet the same eligibility requirements as other expenses on any Federal award, i.e., costs must be reasonable, allowable and allocable, in addition to being necessary for the project.

Examples of acceptable types of expenses that may be eligible for cost sharing are:

- PI and/or other staff salaries and wages and associated fringe benefits, including payroll above the Federal salary cap on NIH awards
- Project-related laboratory supplies or services
- Special purpose equipment whose purchase is necessary for the conduct of a particular project
- Costs incurred by sub-awardees (also called third-party contributions)
- There may be certain instances where an award from a foundation, e.g., Robert Wood Johnson Foundation, could be used as a source for cost sharing. However, the scope of work of both projects would have to be closely related and written approval from the agency whose funds will be matched must be obtained prior to the commitment

Examples of unacceptable types of expenses for cost sharing are:



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- Any costs normally treated as F&A or indirect costs such as administrative salaries and wages, general office supplies, routine postage
- Any costs recovered through CSUCI's F&A rate-such as the University's operations and maintenance costs, use of University space, and use of CSUCI's existing equipment; any cost that cannot be quantified
- An expense that does not directly assign a benefit to the activity and as such is not allocable to the sponsored project
- An unallowable cost on an award such as alcohol.
- Existing equipment to be used on a project cannot be proposed as a cost sharing commitment, but a service center's rate (e.g., a microscope facility) can be used as a cost sharing commitment as long as there is a documented rate for use of that facility or equipment, and costs or charge backs from the service center are treated consistently.

### Responsibility for Compliance – Cost Sharing

It is the PI's responsibility to ensure that the cost sharing requirements are met and are appropriately accounted for. It is the responsibility of Finance and Administration to ensure that cost sharing commitments are appropriately reported to the sponsor.



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### **EXHIBIT C:**

#### **Procedures**

##### Pre-Award Budgeting

As part of the proposal preparation process, a project budget should be developed at the department level, detailing all appropriate costs, direct and indirect, consistent with CSUCI and sponsor guidelines. Proposals are then forwarded through the PAR process and reviewed by ORSP. ORSP ensures the appropriate costs have been determined and included, and that resource commitments (for cost sharing) have been approved within the applicable Division and are accounted for. ORSP is responsible for reviewing and approving proposed F&A cost rates as part of the PAR process. Finance and Administration is responsible for appropriately charging F&A costs to the project once awarded. Budgets for known subrecipients are subject to the PAR process and are reviewed by ORSP prior to proposal submission to verify appropriate rates based upon receipt of adequate documentation including historical cost and price analysis for direct costs. Departments submitting proposals will supply a detailed cost justification such as individual salary rates (faculty and staff), applicable fringe benefit rates, detailed travel costs, equipment and supply details, cost of sub-awards and applicable inflation adjustments.

##### Post Award Financial Management

F&A provides all post-award financial management of the project and maintains financial records to justify approved expenditures when invoicing sponsors in the CMS system. However, some records/project files will also be maintained at the department level or by the PI. These records should be supplied to F&A as requested and adhere to the Work Product and Records Retention Policy. There should be evidence in project files that CSU and/or campus approved policies and procedures were followed for claims of reimbursement and other project-related purchases. This documentation will include appropriate personnel and payroll records, timesheets or other means of reporting effort certification and purchase requisitions. Other records are maintained in the appropriate systems and are available, but not kept with project files, e.g., purchase orders, original receipts, etc. Source documentation must be maintained for all financial transactions at the appropriate departmental level in one of the central Finance units (procurement, accounting, budget and reporting), in accordance with established policies and procedures.