

**University of Massachusetts Dartmouth  
Academic Affairs Division**

**Policy on Direct and Facility and Administrative Costs**

**Purpose**

The purpose of this policy is to ensure that expenditures charged to federally sponsored grants and contracts are in accord with federal cost principles.

**Background**

The Office of Management and Budget (OMB) Circular A-21 "Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions" defines certain criteria that must be met in order for expenditures to be charged to projects as either direct or through Facilities and Administrative (F&A)/indirect cost recovery. The criteria are:

The costs must be **reasonable**. A prudent person would have purchased the item(s) at the stated costs for use on the specific project.

The costs must be **allocable** to the project. There must be a direct benefit to the project and the costs can easily be assigned to the project in proportion to the benefit received.

The costs must be treated **consistently** as either a direct or F&A cost. In like circumstances the cost are treated the same, as either a direct or F&A cost.

The costs must be **allowable** under A-21 and the terms of the agreement. They must not be one of the costs specifically stated as unallowable in A-21 or unallowed per the award document.

OMB A-21 further defines allowable costs as direct costs or F&A costs.

**Direct Charges**

A-21 (D1) defines direct costs as "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. "

**F&A Costs**

F&A costs are defined in A-21 (E1) as "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."

A-21 also states that "costs incurred for the same purpose in like circumstances must be treated consistently as direct or F&A costs." This means if a cost is normally treated as an F&A cost that it should consistently be recovered through F&A and not be included in

direct charges. A-21 has identified costs that may be direct charged and others that are normally considered F&A. General administrative costs are normally considered as F&A costs.

**Common examples of costs normally treated as Direct or as F&A include:**

<b>Direct</b>	<b>F&amp;A</b>
Salaries of personnel necessary to meet the project goals. Includes faculty, technicians and students.	Clerical and Administrative Salaries
Telephone Toll Charges – specifically related to the project	Telephone line charges and cell phones Telephone maintenance
Lab supplies and materials – chemicals and other scientific or technical supplies used on the project	Office supplies
Lab Equipment and software – Scientific and technical equipment and software	Office and general equipment and software – Desk top computers, office desks, word processing and spreadsheet software
Shipping expenses – directly related to the project	Postage and Photocopying – for general business use
Repairs and Maintenance – for lab equipment used on project	Repairs and Maintenance – routine agreements for office and general equipment, buildings and grounds
	Memberships

**Direct Charging of F&A Costs**

While costs should be consistently treated as either direct or F&A, administrative costs may be direct charged to federal grants in unusual circumstances when the project requires an extra-ordinary amount of administrative costs and the costs can be directly attributable to the project. Examples include a project involving a large survey, which would require administrative salaries for clerical staff to prepare the survey and office supplies used in preparation of the survey.

The unusual need to direct charge the costs must be included in the original proposal and not be specifically disallowed by the sponsoring agency. The justifications should include a detailed description of the items or services and an explanation of how they will benefit the project as well as an explanation of the unusual circumstances resulting in the need for these costs to be direct charged. If administrative salaries are requested the percent effort must also be included in the budget and justification. ORA will review the justification to determine if an exception is allowable.

If the items are determined to be necessary after the award is received, a re-budget request must be submitted to ORA. The re-budget request should also detail the expenditures and provide a justification of the unusual need to the project. The re-budget

will be reviewed by ORA to determine if an exception is allowable and ORA will then forward the re-budget to the sponsor if sponsor approval is required for the re-budget.

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