MEMORANDUM

To: Deans, Directors, Department Heads, Faculty and Administrators

From: John L. Davis, Vice President for Fiscal Operations
      Daniel Walz, Vice President for Research and Graduate Studies

Subject: GRANT AND CONTRACT FINANCIAL ADMINISTRATION GUIDELINE

Date: September 15, 1997

In order to assist University personnel in meeting their responsibilities in the preparation and approval of externally funded budgets, and to properly administer the financial aspects of these projects, including Federal grants and contracts, the attached executive summary and detail guidelines have been prepared for several critical areas of grants and contracts financial management (please refer to the attached index).

In recent years the federal government’s Office of Management and Budget (OMB) has become increasingly concerned with University costing practices. As a result, it has made several revisions to (OMB) Circular A-21, “Cost Principles for Educational Institutions.” The most recent revisions require Universities to comply with a number of new cost accounting standards (CAS) and financial disclosure requirements promulgated by the Cost Accounting Standards Board (CASB). Prior to 1994, the CASB only provided cost accounting standards for firms in the private sector, such as defense contractors. The CAS with the greatest impact on sponsored awards financial administration are the ones that specify the requirements for consistency in estimating, accumulating and recording costs, and the requirement for consistency in allocating costs incurred in like circumstances for the same purpose. These new requirements will have a major impact on sponsored budget proposal preparation, cost sharing requirements and service center charging practices.

Of special interest to principal investigators and academic financial administrators involved with sponsored programs will be the University’s new cost sharing requirements which are effective for FY 1998. These new requirements have significantly expanded the types and amounts of cost sharing that the University must formally account for. The new definition of cost sharing includes both mandatory, as well as non-mandatory (voluntary) cost sharing. (The latter is University cost sharing included in sponsored proposal budgets which is not explicitly mandated by law or the sponsoring agency.) In general, both mandatory and non-mandatory cost sharing must now be separately recorded and accounted for in the University’s accounting system beginning with FY 1998. Each
sponsored program that requires mandatory cost sharing will generally require the establishment of a separate, unique account where these mandatory University cost sharing expenditures will be recorded. Depending upon the Fund (General, Designated, etc.) from which the expenditures are made, non-mandatory cost sharing expenditures will be accumulated in one of the following ways: at the College/Division (or department) level in specially established accounts, or in separate unique cost sharing accounts, or documented by using a Cost Sharing Certificate. If cost sharing is provided by a Third Party (outside organization) contribution, in-kind (i.e., unrecovered overhead) contribution or another sponsored program, the cost sharing amount will be recorded on a Cost Sharing Certificate. Our staffs are working with the College and Division financial staffs to establish the initial accounts required for the awards that will be outstanding on or start as of October 1, 1997. Please refer to the attached guideline Section III, Part C for a more detailed discussion of these new University cost sharing requirements.

These new CASB disclosure requirements also stipulate that the University must provide the Federal government with a complete inventory of its costing practices. Should these practices be subsequently changed, the University must amend its disclosure statement and negotiate the change with the Federal government, including any financial impact. This will make the process of changing University costing practices more complex.

When the University accepts grants and contracts from external sponsoring agencies, it assumes a financial fiduciary responsibility. This responsibility is shared by the various staffs of the University’s central business support activities, colleges, departments and account administrators, as well as principal investigators who are the primary initiators of expenses for grants and contracts. The attached detail guidelines reorganize, update and expand the previous University guidelines issued in November 1995. Among the major changes from that document are:

- A high level summary of the detail guideline has been created.

- The detail guideline has been reorganized into five sections: University Costing Policies, Pre-Award Financial Administration, Post-Award Financial Administration, Project Close-Out, and Account Financial Administration Information/Training. The University Costing Policy section is first because these materials apply to Pre-Award, Post-Award, and Project Close-Out activities.

- The allowable, unallowable and payroll cost sections have been consolidated. This new section also discusses the need for consistent treatment of direct and indirect costs emphasized by CAS.
A Pre-Award section has been added. This provides guidance regarding the preparation of budget estimates for sponsor agencies, especially in light of the new CAS requirements. The new University cost sharing requirements are in this section.

This guideline is applicable to all Federal awards, whether received directly from the Federal government or through other organizations, and is based on Federal regulations. However, many other governmental and private sponsors have policies which are similar in nature to the Federal regulations. As a result, this guideline will be applied to all non-federal sponsors, unless their guidelines specifically provide otherwise.

We ask that you and your administrative staff review this information closely and reference it when administering the financial aspects of externally restricted funds. Also, please share it with staff that have responsibilities in these areas. Please note that it is each unit’s responsibility to provide alternative unrestricted funding sources for any expenditures which are initially charged to a unit’s grant or contract and are then subsequently identified by Grant Accounting or auditors as an unallowable cost for that project.

We encourage those staff with financial administration responsibilities to avail themselves of the information and training discussed in Section VI of these guidelines. Because of the extensive revisions required by CASB, Fiscal Operations and the Office of Research and Sponsored Program Services will provide special training sessions in order to provide more information regarding these matters. Please contact the Staff Training and Development Department for more information regarding these training sessions.

Please address specific questions regarding external agency regulations or University policies relative to external funds to the Office of Research and Sponsored Program Services (577-2291) or the Grant Accounting Office (577-3726). School of Medicine staff can also address these questions to the School of Medicine Research Office (577-1445). Inquiries regarding moveable equipment and furnishings should be addressed to the Property Office (577-3698).

Thank you in advance for your support of this financial administration guideline, as it consists of critical elements in ensuring that the University meets its fiscal responsibilities to external sponsoring agencies and within the University.
WAYNE STATE UNIVERSITY

SUMMARY OF THE GRANT AND CONTRACT FINANCIAL ADMINISTRATION GUIDELINE

Section I. Purpose
When the University accepts grants and contracts from external sponsoring agencies, it assumes a financial fiduciary responsibility. This responsibility is shared by various staffs of the University’s central business support activities, colleges, departments and account administrators, as well as principal investigators who are the primary initiators of expenses for grants and contracts.
Section II. University Costing Principles

Subsection A - Introduction

U.S. Office of Management & Budget (OMB) Circular A-21, “Cost Principles for Educational Institutions,” provides that the cost of a sponsored agreement is comprised of the **allowable costs incident to its performance, plus the allocable portion of the allowable facilities and administrative (indirect) costs of the institution**. Only allowable costs are reimbursable by a sponsor. The manner of reimbursement depends upon whether the costs are direct costs (i.e., costs charged directly to the award) or facilities and administrative (indirect) costs [i.e., costs that are reimbursed through the University’s federally approved facilities and administrative cost rate(s)]. A cost can only be reimbursable if it is an approved cost in the project budget.

**Direct Costs** are defined as:

*Those costs that can be identified specifically with a particular sponsored project or that can be directly assigned to such activities relatively easily and with a high degree of accuracy.*

**Indirect Costs** are defined as:

*Costs that are incurred for common or joint objectives and cannot be identified easily and specifically with a particular sponsored project.*

Subsection A, Part 1 - Direct Allowable Costs

In order for an account administrator to charge a particular cost to an account, it must be in conformance with the agencies budget and meet the following two criteria. The cost must be allowable and it must be a direct cost (basically any allowable costs not recovered in the indirect cost rate charged to the grant/contract). In order for a cost to be considered allowable, it must comply with the following Circular A-21 guidelines:

- Costs must be **REASONABLE**:
  1. Necessary for performance of sponsored agreement
  2. Do not impose on the restraints and requirements of federal and state laws and regulations, and sponsored agreement terms and conditions
  3. Incurred by individuals who exercised due prudence

- Costs must be **ALLOCABLE**:
  1. Incurred solely for the sponsored project, or
  2. The proportion relating to the sponsored project can be reasonably approximated or assigned

- Cost treatment must be **CONSISTENT**:
  1. With generally accepted accounting principles
  2. With policies applied to other federal and non-federal funds of the University
  3. With cost accounting standards:
     - Consistency in estimating, accumulating and reporting costs
     - Consistency in allocating costs incurred in like circumstances for the same purpose

It is important that direct cost categories be treated on a consistent basis in like circumstances. An important implication of this is that the University does not charge as a direct cost to a grant or contract any costs that are being reimbursed through the facilities and administrative (indirect) rate applied to that grant or contract.

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A good guideline for determining allowable costs is the project budget approved by the federal agency. Other formal documentation provided by the sponsoring agency may also be helpful.

Subsection A, Part 2 - Direct Unallowable Costs
Federal OMB Circular A-21 identifies specific items of costs which are not allowable by federally sponsored projects, unless the cost is specifically included in the approved agency budget or subsequent specific agency approval is formally granted. An example of an unallowable cost is the $125,000 salary cap by the National Institute of Health (NIH). The failure of OMB Circular A-21 to mention a specific item of cost does not imply that it is allowable. If an item is not specifically budgeted and/or is questionable, the Office of Research and Sponsored Program Services (ORSPS) should be consulted before the expense is incurred.

Subsection B - Direct Cost Activities
The University’s Direct Cost Activities are Instruction/Departmental Research, On-Campus Organized Research, Off-Campus Organized Research, Other Sponsored Activities, Other Institutional Activities and Service Centers.

Subsection C - Indirect Cost Activities
The University’s Indirect Cost Activities are Building and Equipment Depreciation, Operations and Maintenance, Interest, General Administration, Departmental Administration, Sponsored Projects Administration, Student Administration and Services, and Library.

Subsection D - Clerical and Administrative Costs
Circular A-21 generally prohibits the direct charging of federally funded awards for certain clerical and administrative costs, unless they meet the criteria discussed in this subsection entitled “Guidelines for Allowable Clerical/Administrative Costs,” and the costs are approved in the initial agency project budget or subsequently in accordance with the applicable agency rebudgeting procedures. The clerical and administrative costs involved are administrative/clerical wages, office supplies, local telephone charge, postage, journals, subscriptions, books and memberships.

Subsection E - Salary Costs - Allowability and Pro-Rating
Salaries and wages paid at the University’s approved rates including the projected salary increases are allowable costs to federal projects as long as they reflect the level of effort expended on the project and are documented by the University’s Payroll Reporting system. Fringe benefits in accordance with established University policies are allowable and are charged to projects based on University established composite fringe benefit rates.

Subsection F - Non-Salary Expenditures
Adherence to the federal cost principles and requirements outlined in OMB Circular A-21 is critical to the allowability of non-salary expenditures to federal awards. Please refer to the detail Grant and Contract Financial Administration Guideline for further guidance on selected cost items.
Section III. Pre-Award Financial Administration

Subsection A - Budget Planning, Preparation, Review and Approval
The Principal Investigator (PI) has primary responsibility for budget development and, depending on the unit, this may be done in consultation with the Department Chair, Administrator or Administrative Manager. The University defers to sponsoring agency guidelines regarding the development and submission of research proposals.

Subsection B - Cost Accounting Standards in Relationship to Budget Preparation
The University must ensure that: (1) costs incurred for the same purpose in like circumstances have been treated consistently as either direct or indirect costs; and (2) that the sponsored project budgets are presented in a manner consistent with the capacity of the University’s accounting system to accumulate and report expenditures incurred. The latter item means that the sponsor should be able to compare the project proposal budget amounts with the actual costs for any “significant” costs subsequently incurred in performance of the award.

Subsection C - Cost Sharing Policy
Cost sharing and matching represents that portion of the project or program not borne by the funding agency. A cost sharing commitment occurs when it is explicitly set forth in the proposal or is required as a condition of the award agreement. Explicitly set forth in the proposal means that the cost sharing amount is stated in dollars or it can be reasonably quantified based upon the information provided. An institution’s practices for estimating, accumulating and recording all costs, including cost sharing must be consistent. This means that the cost sharing proposed in budgets must actually be accounted for after the award is received for every grant and contract with a cost sharing commitment (either salary and/or non-salary). The procedures for recording cost sharing depend on the type of cost sharing and the University funding source for this amount. Please refer to the detail Grant and Contract Financial Administration Guideline for further information on this subject.

Subsection D, Part 1, 2 and 3 - Methodology to Develop Budget Estimates by Cost Categories
Please refer to the detail Grant and Contract Financial Administration Guideline in this subsection for further guidance on the treatment of salaries/wages and related fringe costs, non-salary expenditures and facilities and administrative (indirect) cost rates. Please note that the indirect costs are typically included in the facilities and administrative (indirect) rate, and not charged as direct costs to the award.
Section IV. Post-Award Financial Administration

Subsection A - Payroll Costs
The University’s payroll system has been designed to document payroll costs in accordance with OMB Circular A-21. An individual should NEVER be charged to a grant or contract unless that individual is performing work for that project. If changes in payroll charges must be made, PASS forms are to be submitted in a timely and accurate manner. At the same time, every effort should be made to minimize the need for such changes in payroll charges through the use of effective financial planning at the time the award begins or before changes actually occur.

Subsection B - Equipment Inventory Management System
While the Wayne State University Property Office is responsible for maintaining a continuous up-to-date inventory of moveable equipment and furnishings owned by or in the custody of the University, they must rely extensively on each University unit to provide them with the addition, transfer and deletion information necessary to maintain these records on a current basis.

Subsection C - Unit Account Administration and Monitoring Activities
1. Accounts Receivable
In those instances where a sponsor is billed for services provided by a WSU unit, the anticipated revenue from that sponsor agency is recorded in the unit’s account. However, if the sponsor subsequently does not submit payment for this amount, then the estimated revenue recorded in the account must be reversed. Should this happen, the account administrator for that account is responsible for obtaining alternative funding to offset this revenue loss. If such alternative funding is not obtained, this funding shortfall will be treated in accordance with the University’s deficit clearance procedure in Section V.

2. Purchasing/Expenditure Document Processing Cut-off (AAR /TER /IRB /SPA /Purchase Requisition)
For most awards, the financial reports can only include expenses for goods and other tangible property received or services performed by employees/contractors/subrecipients within the time period of the project. Whenever possible, account administrators are strongly encouraged to initiate purchases at least 30 days prior to the award termination date.

3. Open Commitments
NO provisions will be made in the final report for the unverified open commitments and any subsequent expenditures related to these items will have to be funded by the department from alternate sources.

Subsection D - Re-Budgeting Rules and Restrictions
Please refer to the detail Grant and Contract Financial Administration Guideline for the circumstances that require approval from the sponsoring agency for budget revisions.

Subsection E - Non-Payroll Expenditure Transfer Guidelines
Memos to transfer expenditures into restricted accounts must be submitted to ORSPS no more than 120 days from the day that the charge was initiated but no later than the grant/contract termination date.
Section V. Project Close-Out

Subsection A - Agency Financial Reports, Deficit Clearance and Account Close-Out

All external agency financial reports are compiled and submitted by the Grant Accounting Section of Fiscal Operations, with the assistance of the University unit that directly administers the award. External agencies require the University to submit timely final financial reports. (Federal agency reports are typically due 90 days, state and private reports typically 60 days and city reports typically 30 days after the grant end date.) In order for the University to submit these reports in a timely manner, the Grant Accounting unit needs the assistance and cooperation of the unit responsible for the project’s financial activity.

Please note that timely submission of these financial reports benefits both the University and its principal investigators. The federal government allows those institutions which submit financial reports in a timely manner greater institutional flexibility in the financial management of many federal programs. This flexibility is referred to as “expanded budget authority.” However, the federal government retains the authority to revoke the University’s ability to use “expanded budget authority” if federal final financial reports are not submitted in a timely manner. Please note that careful monitoring of each unit’s grant and contract financial activity throughout the course of the project greatly facilitates this process.

1. Compilation of the Agency Report
After the award expiration date, Grant Accounting will work with the responsible unit to compile the agency financial report with the support of the unit responsible for the award.

2. Certification of Final Report
In order to submit timely financial reports and prevent loss of funds, principal investigators are encouraged to review and certify the reports in a timely manner. When the report is sent to the unit, Grant Accounting staff and account administrator have normally reviewed and discussed most, if not all, reconciling items and the financial/budgetary status of the award.

3. Deficit Clearance Procedure
Once a deficit is identified for a sponsored program account on the Reconciliation Sheet, it is the responsibility of the account administrator/principal investigator to provide an account where the cost overrun or deficit can be transferred. Deficits can be cleared to General (including indirect cost return accounts) and Designated funds, but generally cannot be cleared to other Restricted fund accounts. Fiscal Operations has a formal process for follow up and clearance of account deficits, which is described in detail in Section V. If a unit with an account deficit does not provide Fiscal Operations with an alternative funding source within 30 days from receipt of a formal deficit clearance request, Fiscal Operations will charge the deficit to another account of the responsible unit.
Section VI. Accounting Financial Administration Information/Training

School/college/division staff with financial administration responsibilities are encouraged to attend the training sessions regarding this matter.
GRANT AND CONTRACT FINANCIAL ADMINISTRATION GUIDELINE
SECTION I
PURPOSE OF GUIDELINE
SECTION I - PURPOSE OF GUIDELINE

When the University accepts grants and contracts from external sponsoring agencies, it assumes a financial fiduciary responsibility. This responsibility is shared by the various staffs of the University’s central business support activities, colleges, departments and account administrators, as well as principal investigators who are the primary initiators of expenses for grants and contracts. The attached detail guidelines reorganize, update and expand the previous University guidelines issued in November 1995.

This guideline is applicable to all federal awards, whether received directly from the federal government or through other organizations, and are based on federal regulations. However, many other governmental and private sponsors have policies, which are similar in nature to the federal regulations. As a result, this guideline will be applied to awards from non-federal sponsors, unless their policies specifically provide otherwise.
GRANT AND CONTRACT FINANCIAL ADMINISTRATION GUIDELINE
SECTION II
UNIVERSITY COSTING POLICIES
Wayne State University Policy
Grant and Contract Financial Administration Guideline

Section II - University Costing Policies

Subsection A - Introduction

Office of Management and Budget (OMB) Circular A-21, “Cost Principles for Educational Institutions”, provides that the cost of a sponsored agreement is comprised of the allowable costs incident to its performance, plus the allocable portion of the allowable facilities and administrative (indirect) costs of the institution. As a result, the cost category of an item is important because it determines whether or not a cost is potentially reimbursable, and if so, the method by which that cost shall be reimbursed. The only costs that are reimbursable are those costs, which the sponsor considers to be allowable costs. Unallowable costs are those cost items that are not reimbursed by a sponsor. Of course, a cost can only be reimbursable if it is an approved cost in the project budget.

As noted above, only allowable costs are reimbursed by sponsors. However, the manner in which these costs are reimbursed depends upon whether or not they are direct costs (i.e., costs charged directly to an award by the account administrator) or facilities and administrative (indirect) costs (i.e., costs that are reimbursed through the University’s federally approved facilities and administrative (indirect) cost rate(s) or other approved sponsor indirect cost rate(s)). Direct costs can be specifically identified with a particular sponsored project or can be directly assigned to a project relatively easily and with a high degree of accuracy. An example of a direct cost would be the salary and related fringe benefits of a principal investigator charged to a research project sponsored by the National Science Foundation. Care must be exercised to ensure that cost items are being treated consistently in like circumstances.

Indirect costs are incurred for common or joint objectives and cannot be identified easily and specifically with a particular sponsored project. An example of an indirect cost is the administrative support costs provided by Fiscal Operations to a research project. In some circumstances, a sponsoring agency that only allows the University to use any facilities and administrative (indirect) cost rate which is less than the University federally approved facilities and administrative (indirect) cost rate may allow some of the costs typically included in the facilities and administrative indirect cost rate to be budgeted and charged as direct costs to an award. In order for an item to be charged as a direct cost to the award, it must be readily and easily identified to the award and be specifically approved in the budget by the agency.

More detailed discussion is contained below in Subsection A, Part 1 and Part 2, about allowable and unallowable direct costs, since these costs are a primary concern when developing a proposal budget. The University’s facilities and administrative (indirect) cost rate(s) for on-campus and off-campus activities are discussed in more detail in Section III, Subsection D, Part 3.

Subsection A, Part 1 - Direct Allowable Costs
The purpose of OMB Circular A-21, is to establish principles for determining costs applicable to grants, contracts and other agreements between federal agencies and educational institutions. The Circular lists a number of categories which are unallowable direct and indirect costs (refer to Section II, Subsection A, Part 2). Even if a cost item is not specifically designated as unallowable in OMB Circular A-21, it must still comply with the following Circular guidelines regarding costs:

- Costs must be **REASONABLE**:
  1. Necessary for performance of sponsored agreement
  2. Do not impose on the restraints and requirements of federal and state laws and regulations, and sponsored agreement terms and conditions
  3. Incurred by individuals who exercised due prudence

- Cost must be **ALLOCABLE**:
  1. Incurred solely for the sponsored project, or
  2. The proportion relating to the sponsored project can be reasonably approximated or assigned.
     (i.e. - 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 “users” in proportion to the benefits received.)

- Cost treatment must be **CONSISTENT**:
  1. With generally accepted accounting principles (such as method of accounting used)
  2. With policies applied to other federal and non-federal funds of the University
  3. With cost accounting standards (refer to Attachment A):
     - Consistency in estimating, accumulating and reporting costs
     - Consistency in allocating costs incurred in like circumstances for the same purpose

It is important that direct cost categories be treated on a consistent basis in like circumstances. An important implication of this is that the University does not charge as a direct cost to a grant or contract any costs that are being reimbursed through the facilities and administrative (indirect) rate applied to that grant or contract. Attachment B provides a quick reference list of common expenditures, and whether they are generally charged as direct or indirect to federally sponsored programs.

**A good guideline for determining allowable costs is the project budget approved by the federal agency. Other formal documentation provided by the sponsoring agency may also be helpful.**

**SUBSECTION (A), PART (2) - DIRECT AND INDIRECT UNALLOWABLE COSTS**

OMB Circular A-21 identifies specific items of cost which are not allowable on federally sponsored projects, unless the cost is specifically included in the approved agency budget or subsequent specific agency approval is formally granted. The failure of OMB Circular A-21 to mention a specific item of cost does not imply that it is allowable. If an item is not specifically budgeted and is questionable, the Office of Research and Sponsored Program Services (ORSPS) should be consulted before the expense is incurred.
Unallowable direct and indirect costs for all federal agencies:
- Alcoholic Beverages
- Ceremonies, Receptions, Commencements and Convocations
- Donations and Contributions
- Entertainment Costs including food, meals and guest meals excluding travel meals as outlined in the APPM (Note: In limited circumstances, entertainment costs may be allowed but only when specifically stated in the award budget)
- Fines and Penalties
- Fund Raising Costs
- Lobbying Costs
- Losses (Deficits) on Other Sponsored Agreements

Unallowable direct costs for all Federal agencies subject to Section II, Subsection D:
- Clerical and Administrative Costs

Unallowable direct cost for Public Health Service Awards - salaries in excess of $125,000:
- A salary base in excess of $125,000 cannot be used for salary computations on a federal project. If an employee’s salary is $150,000 and effort is 10 percent, only $12,500 (10 percent of $125,000) can be properly charged to the federal account.

Unallowable direct cost for U. S. Department of Education awards
- Equipment purchases which are not budgeted

Unallowable direct cost for a National Science Foundation award
- General purpose equipment (copiers, computers, etc.) not used exclusively or primarily for the funded project.

In those cases where unallowable direct costs are charged to an award, they will be treated as a deficit and transferred to another School/College/Division account. The account that the charge will be transferred to will be selected in the same manner as that used in the Deficit Clearance Procedures in Section V. These cost transfers may be made when ORSPS and Accounting conduct their periodic reviews of these administrative costs object codes or at the time that the Accounting Office prepares the final financial report for the award. Notification of these cost transfers will be sent to the unit. However, since these reviews are only meant to supplement, and not replace the primary unit’s responsibility for ensuring compliance with these provisions, any unallowable costs which are subsequently disallowed in an audit would also be charged back to the responsible unit.

SUBSECTION B - DIRECT COST ACTIVITIES

The following cost activities are typically treated as direct costs:

INSTRUCTION/DEPARTMENTAL RESEARCH - Instruction means the teaching and training activities of an institution, which can be either sponsored by the University or an outside agency. Departmental Research is not considered a separate function of the University, but part of the instruction function of the University. Departmental Research activities involve no proposal.
submissions, activity or financial reporting to a sponsoring agency. Departmental Research costs are supported by a University academic unit, typically through General funds, and therefore are not separately budgeted and accounted for. Development of preliminary data is an example of such an activity.

**ON-CAMPUS ORGANIZED RESEARCH** - Research projects which are separately budgeted and accounted for, whether funded externally or internally, are considered to be Organized Research. Organized Research is carried out for the purpose of creating, reorganizing or applying existing knowledge. It is funded through a process of application and submission of a budget to the sponsor, then review and approval by the sponsor. These activities are normally performed in facilities owned by the institution.

**OFF-CAMPUS ORGANIZED RESEARCH** - These projects meet the same criteria as On-Campus Organized Research except they apply “for all activities performed in facilities not owned by the institution and/or to which rent is directly allocated to the project(s).”

**OTHER SPONSORED ACTIVITIES** - Public service activities financed by a single external sponsor, which involve the performance of work that is neither Instruction/Departmental Research or Organized Research. These activities can be conducted on-campus or off-campus.

**OTHER INSTITUTIONAL ACTIVITIES** - Programs and projects undertaken by the University without outside support which involve the performance of work other than Instruction/Departmental Research, Organized Research, Other Sponsored Activities, and Service Centers are considered to be Other Institutional Activities. These activities can be conducted on-campus or off-campus.

**SERVICE CENTERS** - Service centers are established for the primary purpose of providing goods and/or services to support the internal operating activities of the University. They may, on an incidental basis, provide goods and/or services to external users.

**SUBSECTION C - INDIRECT COST ACTIVITIES**

The following cost activities are typically treated as indirect costs when the University’s full federal research rate is applied to an award. When this rate is not applied to an award, some of these cost categories may be directly charged to an award with sponsor approval.

**FACILITY COSTS:**
- **BUILDING DEPRECIATION** - Depreciation of non-federally funded portions of buildings.
- **EQUIPMENT DEPRECIATION** - Depreciation of non-federal equipment only.
- **OPERATIONS AND MAINTENANCE** - All activities performed for the supervision, operation, maintenance, preservation and protection of the University’s physical plant. It consists of costs such as utilities, plant operations, maintenance and repairs, environmental safety, hazardous waste disposal, security, etc.
- **INTEREST** - Debt incurred to acquire, replace or renovate capital assets used in support of sponsored agreements.

**ADMINISTRATIVE COSTS:**
GENERAL ADMINISTRATION - Institutional support programs that consist of those activities that provide operational support for the day-to-day functioning of the University. These areas are general executive and administrative offices whose functions do not relate solely to Instruction, Organized Research, Other Sponsored Activities, or Other Institutional Activities but serve the entire University system of which the institution is a part. The General Administration cost category excludes alumni and development activities since these costs are unallowable per OMB Circular A-21.

DEPARTMENTAL ADMINISTRATION - Administrative or support activities within a school, college, center, institute or department, which benefit two or more direct activities, and cannot be reasonably prorated among them. This category should include all routine clerical and administrative costs since such costs are recovered in the University’s negotiated federal research facilities and administrative (indirect) cost rate. The federal government generally does not allow these costs to be directly charged to an award. Please refer to Section II, Subsection D - Clerical and Administrative Costs for discussion of those circumstances where clerical and administrative costs may be directly charged to an award.

SPONSORED PROJECTS ADMINISTRATION - Activities of separate centralized organizations established primarily to administer sponsored projects.

STUDENT ADMINISTRATION AND SERVICES - Activities that contribute to the student’s emotional and physical well-being, outside the context of the formal academic program.

LIBRARY COSTS:

LIBRARY - An academic support program whose objectives are to provide support services that are an integral part of the operations of the primary programs through retention, preservation, and display of materials, or provide services that directly assist the academic functions of the institution. Academic departmental libraries that are not part of the University library system are included in the Departmental Administration category.

SUBSECTION D - CLERICAL AND ADMINISTRATIVE COSTS

The federal government has revised its cost accounting practices for educational institutions (Circular A-21) in a manner that generally prohibits the direct charging of federally funded awards for certain clerical and administrative costs, unless they meet the circumstances discussed in this subsection, entitled "Guidelines for Allowable Clerical/Administrative Costs", and the costs are approved in the initial agency project budget or subsequently in accordance with the applicable agency rebudgeting procedures. The clerical and administrative costs involved are administrative/clerical wages, office supplies, local telephone charges, postage, journals, subscriptions, books and memberships.

Please note that this regulation applies both to funds received directly from the federal government or indirectly from the federal government through other organizations. It also applies to any sub-recipients who have been awarded sub-contracts by the University that will be charged to a federally funded award.

GUIDELINES FOR ALLOWABLE CLERICAL/ADMINISTRATIVE COSTS
These costs may be appropriate charges to an award that is (1) considered a major project or activity and (2) has a clerical and/or administrative cost budget which has been approved in
accordance with agency budgeting guidelines. Furthermore, these costs will only be considered for funding in the budget by the respected federal agency when these costs comply with the Circular A-21 guidelines outlined in Section II, Subsection A, Part 1 - Direct Allowable Costs.

The criteria used by federal agencies in determining that an award is a major project or activity include the following:

- Large, complex programs, such as General Clinical Research Centers, program projects, environmental research centers, cooperative agreements, 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 where the principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).

- Individual projects requiring significant amounts of project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, IRB preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications.

Projects that meet all of the criteria (i.e., considered a “major project or activity”, approved in accordance with agency budgeting guidelines, and comply with Circular A-21 guidelines) may have the budgeting of clerical and administrative costs considered, even if they are NIH "R01" awards. However, direct charging of these costs would only be appropriate when the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support that is significantly greater than the routine level of such services provided by academic departments. Please refer to Section III, Subsection D, Part 1 - Salaries/Wages and Related Fringe Cost for a list of examples to determine if a particular activity may be considered extraordinary and extensive administrative support. Please note that any clerical and laboratory notebooks, computer supplies (disks, toner, printer paper), packing materials, mailing costs and local telephone charges, could meet the criteria in this section for consideration in agency budgets.

However, items such as pens, pencils, paper and notepads are generally not allowable charges to an award.

Any questions regarding project budgets should be addressed to ORSPS program staff (577-2294) or Daniel Graf (577-2291) or to the School/College/Division administrative officers. For example, in the School of Medicine, pre-award questions can be addressed to Betty Aldridge (577-1445) and post-award matters to Larry Klain (577-1475).

**SUBMISSION OF INITIAL PROJECT BUDGET PROPOSALS**
All budget proposals submitted for federally funded awards must include specific budget categories and amounts for any administrative/clerical staff wages (including any payments for temporary employment agency services), office supplies, computing supplies, local and long distance telephone charges, postage, journals, subscriptions, books and membership costs that the principal investigator anticipates charging to the award.

In order to facilitate the federal agency's consideration of such costs as appropriate charges to the award, the proposed budget submitted to the federal agency should indicate clearly how the particular expenditure is related to the award. Please refer to the above "Guidelines for Allowable Clerical/Administrative Costs" which summarizes the circumstances/activities that the federal government believes warrant the approval of clerical/administrative costs in project budgets.

REBUDGETING AWARDS

When a rebudgeting request is necessary and allowed by the federal agency guidelines, the principal investigator needs to initiate a formal request for the rebudgeting action (on a line item basis) which must be justified by the criteria stated in the "Guidelines for Allowable Clerical/Administrative Costs" on Page 6. This procedure would also apply to clerical and administrative costs to be charged to the future years of a multi-year award, and the current budget does not contain a specific budget for these cost items. Such requests must be made to ORSPS through the appropriate School/College/Division unit that administers post-award activities. Clerical and/or administrative costs should not be charged to the award until after the budget revisions have been approved in accordance with agency requirements.

How ORSPS processes the rebudgeting request will be dependent upon the awarding agency and type of award involved. In some cases, federal agencies retain the authority to authorize any rebudgeting actions after an initial award is made. In other cases, agencies delegate rebudgeting authority to the University by designating some awards as "expanded authority awards" (i.e., many of the National Institute of Health and National Science Foundation awards). ORSPS is responsible for administering any rebudgeting authority that agencies delegate to the University.

If the University has been delegated rebudgeting authority by the agency, ORSPS will consider the principal investigator's request in light of the "Guidelines for Allowable Clerical/Administrative Costs" and advise the unit initiating the request. If the University has not been delegated rebudgeting authority by the awarding agency, ORSPS will review the rebudgeting request to ensure its compliance with the "Guidelines for Allowable Clerical/Administrative Costs". If the unit request is consistent with "Guidelines for Allowable Clerical/Administrative Costs", it will be forwarded to the awarding agency. If ORSPS cannot approve it, it will return the rebudgeting request to the unit.

The costs in question should not be charged to the award prior to the receipt of the budget revisions.

While agency guidelines may provide for rebudgeting of costs after the award has begun, principal investigators are strongly encouraged to obtain approval for any necessary clerical or administrative costs at the time that the original budget is submitted. Not only will this minimize the disruption to project activities that could result from having to prepare a rebudgeting request and await action on the request, but it will also help to minimize the possibility of subsequent disallowance of any of these costs.
CLERICAL/ADMINISTRATIVE COSTS CHARGED TO FEDERAL AWARDS

Financial administrators of federally funded awards should initiate/authorize clerical/administrative charges to such awards only when there is an approved budget for such costs. This will require these administrators to be familiar with the related award budgets. In those cases where clerical/administrative costs are not in the approved budget (from the agency or through ORSPS rebudgeting, whichever is applicable), and they are charged to the grant account, they will be deemed unallowable costs and transferred to the principal investigator's indirect cost return accounts, or other unrestricted account within the School/College/Division. If there are not sufficient funds in these accounts to fund the entire amount, then the balance will be charged to other School/College/Division account(s). The account(s) that the charge will be transferred to will be selected in the same manner as that used in the Deficit Clearance Procedures in Section V. When such costs are noted by ORSPS and Accounting during periodic reviews of these clerical/administrative costs object codes or at the time that the Accounting Office prepares the final financial report for the award, they will make these cost transfers. Notification of these cost transfers will be sent to the unit. However, since these reviews are only meant to supplement and not replace the primary unit’s responsibility for ensuring compliance with these provisions, any unallowable costs which are subsequently disallowed in an audit would also be charged back to the responsible unit.

SUBSECTION E - SALARY COSTS - ALLOWABILITY AND PRO-RATING

Salaries and wages paid at the University’s approved rates, including any projected salary increase (refer to Attachment C on salary increases), are allowable costs to federal projects so long as they reflect the level of effort expended on the project and are documented by the University’s Payroll System (refer to Section IV, Subsection A - Payroll Costs). Fringe benefits in accordance with established University policies are allowable and are charged to projects based on University established composite fringe benefit rates (refer to Attachment D on fringe benefit rates). Section J.8.d. (1) of OMB Circular A-21 provides the following guidelines for determining the faculty salary amount charged to sponsored research projects:

**Salary rates for academic year.** Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member’s regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements irrespective of the basis of computation, exceed the proportionate share of the base salary for that period.

This provision is generally interpreted to mean that a faculty member cannot receive additional compensation for his or her participation in a sponsored project over and above the appropriate portion of the base salary allocated to the project. For example, if the base salary is $60,000 and a faculty member is assigned 25 percent to a sponsored project, the salary charged to the project should be $15,000. If that person received an additional external funding resulting in an assignment of 25 percent to one, and 5 percent to another sponsored project, the salary charged would be $15,000 and $3,000 respectively.
SUBSECTION F - NON-SALARY EXPENDITURES

Adherence to the federal cost principles and requirements outlined in OMB Circular A-21 (refer to Section II, Subsection A, Part 1 for criteria) is critical to the acceptance of charges to federal awards. The cost items listed in this section are identified either as generally common direct allowable costs involved on sponsored programs at Wayne State University, or generally unallowable as a direct charge unless specifically approved in the program budget by the agency, or unallowable for all federal agencies. These cost items are provided as guidance only. Failure to mention a particular item of costs is not intended to imply that is either allowable or unallowable. Please note that it is the responsibility of the Administrative Manager or other administrator to classify expenses in the appropriate object code.

Listed below are cost items that are generally common direct allowable costs involved on sponsored programs at Wayne State University:

Advertising Costs
The only advertising costs allowable are those which are solely for (1) the recruitment of personnel required for the performance by the institution of obligations arising under the sponsored agreement; (2) the procurement of goods and services for the performance of the sponsored agreement; (3) the disposal of scrap or surplus materials acquired in the performance of the approved agreement (refer to APPM 6.4 - Sale and Disposal of Obsolete and Surplus Equipment); and (4) other specific purposes necessary to meet the requirements of the sponsored agreement, for example, recruitment of study subjects.

Books, Periodicals, Journals and Subscriptions:
Costs incurred for books, periodicals, journals and subscriptions that relate specifically to the project, and are technical, or professional or business in nature are an allowable direct cost only if these costs must be specifically budgeted and approved by the federal funding agency (refer to Section II, Subsection D - Clerical and Administrative Costs).

Consultant Services:
Payments to individuals who provide expertise can be a direct charge to a federal award when specifically budgeted, and approved by the agency (refer to Section III, Subsection D, Part 2 for additional information on consultant budgeting).

Departmental Copying:
These costs are allowable cost to federal projects if they have been approved by the agency (refer to Section II, Subsection D - Clerical and Administrative Costs). This specific type of service is provided to cover more than routine copying by a department where extraordinary and extensive administrative support (copying materials for presentations) is required to complete the project.

Equipment and Other Capital Expenditures:
Federal cost principles define equipment as “an article of non-expendable tangible personal property having a useful life of more than one year, and an acquisition cost of $500 or more per unit.” University policy exempts from indirect cost charges those material costs associated with the fabrication of individual items that, when completed, will have a capitalized value of $500 or more and will be recorded in the University’s equipment inventory system. The items to be fabricated must be
identified in the proposal to the sponsor. In order for equipment to be directly charged to a federal award, it must be used solely for the projects program specific purposes. When the University acquires equipment using federal funds, it must assure that all purchases or leases are necessary, beneficial and non-duplicative (refer to Section III, Subsection D, Part 2 for additional information on equipment budgeting).

◊ Approval to Purchase or Lease: Since approval criteria for the purchase or lease of capital expenditures vary among the different awarding agencies, approval will be obtained based on each specific agency’s requirements.

Maintenance Contracts:
Costs for maintenance contracts are allowable if they are specifically related to special purpose equipment (used only for research, medical, scientific or other technical activities) used in conducting the project versus general purpose equipment (use is not limited to only research, medical, scientific or other technical activities).

Meetings and Conferences:
Meetings and conferences are an allowable direct cost if their primary purpose is the dissemination of technical information, they are specifically budgeted, and approved by the sponsor.

Patient Care Costs:
This includes routine and ancillary medical services provided on an in-patient or out-patient basis. If the procedure would be performed whether or not the project is being carried out, it is to be treated as patient care cost versus a research test cost (refer to Section III, Subsection D, Part 2 for additional information as to budgeting for patient care costs). Patient care cost requires agency approval.

Postage or Delivery Costs:
Shipment of research materials and deliverables under a federal agreement may be allowable if reasonable care is taken to assure that such costs incurred are for the sole direct benefit of the project and these postage or delivery costs are specifically budgeted and approved by the federal funding agency. Ordinary and routine postage is treated as an indirect cost and included in the Departmental Administration cost pool (refer to Section II, Subsection D - Clerical and Administrative Costs).

Printing and Publications:
Printing and publication costs directly related to the project are allowable as direct costs to federally sponsored programs if specifically approved in the budget by the agency.

Rentals and Leases - Buildings:
In general, these costs cannot be charged to awards as direct costs unless they are specifically identifiable to that project (with a high degree of accuracy), primarily related to the performance of that project, and budgeted in accordance with sponsored agency guidelines. Charges for rent or lease of real property are generally charged as direct costs to awards where the work performed is at an off-campus facility. Please contact ORSPS or, if applicable, the School of Medicine’s Research Office for further information regarding the circumstances where it is allowable to charge rent as a direct cost.

Repair and Maintenance:
Repair and maintenance costs are expenditures on equipment and building that do not add to their permanent value nor appreciably prolong their useful life. In certain limited circumstances, specially needed (non-routine) repair and maintenance costs related to building or equipment may be charged as a direct cost to a project. In general, these costs cannot be charged to awards as direct costs unless they are specifically identifiable to that project (with a high degree of accuracy), primarily related to the performance of that project, and budgeted in accordance with sponsored agency guidelines. Physical repair and maintenance typically require specific sponsored agency budgetary approval. General purpose or routine repair and maintenance repair and maintenance costs, which relate to the support of the entire department generally, cannot be charged as a direct cost to sponsored program.

Service Centers:
Service centers are established for the primary purpose of providing goods and/or services to support the internal operating activities of the University. They may, on an incidental basis, provide goods and/or services to external users. Service centers may recover their cost of operations by directly charging customers an “approved” billing rate(s) based on their actual allowable operating costs. Please refer to Service Center Policies and Procedures in the APPM for further guidance.

Subcontracts:
Contractual arrangements with another institution or organization for their participation in the project are allowable cost if approved by the agency (refer to Section III, Subsection D, Part 2 for budgeting subcontract cost).

Student Aid Costs:
Costs of scholarships, fellowships and other student aid are allowable direct costs only when the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsoring agency.

Supplies - Material, Research and Lab:
Costs incurred for purchased materials, research and laboratory supplies (such as chemicals, glassware, drugs, radioactive chemicals, isotopes, enzymes, plasticware, and animal purchases directly from outside vendors) used for the performance of the sponsored agreement are allowable direct cost.

Supplies - Office:
An extensive amount of office supplies significantly greater than the routine level may be directly charged if specifically approved in the budget by a federal or other sponsor funding agency (refer to Section II, Subsection D - Clerical and Administrative Costs). Normal departmental office supplies are treated as indirect costs and included in the Departmental Administration indirect cost pool.

Telephone Costs:
- Local calls, telephone equipment, telephone lines and installation costs are unallowable as a direct cost unless specifically budgeted and approved by a federal or other sponsor funding agency (refer to Section II, Subsection D - Clerical and Administrative Costs).
- Long-distance calls are allowable as a direct cost on federal funds and require a line item budget on the proposal and approval from the federal agency. Costs of pagers and fax lines are unallowable direct costs to federal awards unless specifically budgeted and approved by the funding agency.

Travel:
Travel for employees is an allowable cost if specifically budgeted and approved by the federal funding agency (refer to Section III, Subsection D, Part 2 for budgeting for Foreign Travel).

Listed below are other cost items that are generally unallowable as a direct charge unless specifically approved in the program budget by the agency:

Dues and Memberships:
Cost for dues and membership in technical and professional organizations are unallowable as a direct cost to federal funds unless specifically budgeted and approved by the funding agency. Memberships that come as part of a subscription are allowable as a direct charge as long as they are specifically approved in the project budget and the scientific information in the subscription is the primary reason for the expenditure. Cost of membership in any civic or community organization, country club or social or dining club is unallowable.

Entertainment Costs:
Costs of entertainment, including food or meals, amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, lodging, rentals, transportation, and gratuities) are unallowable. In certain limited circumstances, entertainment such as food and meals may be an allowable cost if specifically approved by the sponsor.

Hazardous Waste Disposal:
Generally, the cost of disposing of hazardous waste is considered an indirect cost and cannot be charged to an award since the cost is included in the University’s Facilities and Administrative cost pool.

Interest:
Costs incurred for interest on borrowed capital are generally unallowable with the exception of interest paid to an external party for acquisition or fabrication of capital equipment costing $10,000 or more, completed after 7/1/82 and if agreed upon by the federal government. Interest costs incorporated in a equipment lease payment must be budgeted and approved by the agency.

Network Costs:
University wide network costs include the hardware, software, personnel services, public access sites and other related costs required to enable University personnel to share software or data or to communicate electronically with other individuals, are considered to be part of the physical infrastructure of the University and are classified as indirect costs. Individual workstations and specialized hardware and software which are only used by project participants and are not included as part of any University wide network costs may be treated as direct costs and recovered from sponsored projects through the use of approved recharge rate(s).

Proposal Preparation Costs:
Proposal costs are the costs of preparing bids or proposals on potential federally and non-federally sponsored agreements or projects, including the development of data necessary to support the institution’s bids or proposals. Proposal costs of both successful and unsuccessful bids and proposals are treated as an indirect cost and may not be assigned as a direct charge to a sponsored project.
Public Relations:
Costs pertaining to specific research or scientific accomplishments are allowable, when they result from performance of the sponsored agreement and are pre-approved by the sponsoring agency. All other public relations costs are unallowable.

Remodeling Costs:
Special arrangement and alteration costs incurred specifically for the sponsored project are allowable when such work has been approved in advance by the sponsoring agency.

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 agreement.

The following cost items are defined below and are considered unallowable for all federal agencies and generally unallowable for other sponsored agencies in addition to alcoholic beverages, alumni and development costs, ceremonial, commencement and convocation costs, donation and contributions, lobbying and selling or marketing any products or services.

Fines and Penalties:
Costs resulting from violations of or failure to comply with federal, state, and local laws and regulations (including University regulations) are unallowable.

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.

Losses on Other Sponsored Agreements or Contracts:
Any excess of cost over income under another sponsored agreement or contract of any nature is unallowable.

Political Activities:
Funds may not be used for any type of partisan political activity by any person or organization involved in the administration of federally-assisted programs. “Political activities” include, but are not limited to, lobbying, publications or other materials intended for influencing legislation.
GRANT AND CONTRACT FINANCIAL ADMINISTRATION GUIDELINE
SECTION III
PRE-AWARD FINANCIAL ADMINISTRATION
SECTION III - PRE-AWARD FINANCIAL ADMINISTRATION

SUBSECTION A - BUDGET PLANNING, PREPARATION, REVIEW AND APPROVAL

BUDGET PLANNING:
The Principal Investigator (PI) has primary responsibility for budget planning in consultation with the Department Chair, Administrator or Administrative Manager depending on the unit’s organizational structure. The University defers to sponsor agency guidelines regarding the development and submission of research proposals. Therefore, it is beneficial and helpful when developing the budget to refer to the agency guidelines.

PREPARATION:
Listed below are definitions for the different types of federal applications for a grant or contract:

NEW APPLICATION: the first time this project has been submitted to this agency.

NON-COMPETING RENEWAL (CONTINUATION): The new application was approved for multiple years (non-competing segments); a progress report (and in some circumstances a budget for the next year) is being submitted to the agency prior to the allocation of additional funds. These proposals are not competitively reviewed by the agency (i.e., they do not compete with other proposals for continued funding). An example of a non-competing renewal is an NIH, Type 5 application.

NIH has developed a simplified process for submission of information prior to the issuance of a non-competing award (refer to Attachment E). Whether you use the streamlined approach or not, you still must answer the 3 “streamlined” questions (refer to Attachment F). For internal purposes, a budget must be available at the time of the presubmission review so as to ensure consistency with Circular A-21 cost accounting principles.

COMPETING RENEWAL: The previously funded project is in the final stages; the PI must submit another (probably multiple year) proposal for continued funding. As implied by the name, competing applications are competitively reviewed. An example of a competing renewal is a NIH, Type 2 application.

REVISED APPLICATIONS: The new or competing renewal application was not funded; the PI is now submitting a revision of an earlier proposal to the same agency.

SUPPLEMENTAL APPLICATION: The PI currently has a grant; she/he applies to the same agency for additional funds for the same project within the same performance period. An example of a supplemental application is a NIH S-01 award.

Please refer to Section III, Subsection D in this Guideline in determining budget estimates and the necessary information to be supplied for approval.
REVIEW (INSTITUTIONAL):
The “administrative section” of the application must be reviewed and signed by the Office of Research and Sponsored Programs (ORSPS) or a designated administrative unit (refer to Proposal Approval below). The “administrative section” includes:

- completed and signed Form 404, Approval of Application for Grant or Contract (signatures of faculty, chairpersons and deans as appropriate)
- if the project involves animal and/or human subjects, include the Human and Animal Investigation Committee (H/AIC) approval memorandum if available (approval date should not be older than one year; exemptions for projects involving human subjects must provide HIC documentation).
- completed and signed agency face page
- abstract page
- all budget pages, including budget justifications
- facilities, resources and environment section
- signed documentation for new or additional space commitments (Dean approvals needed for additional space under their control); cost sharing/matching/in-kind commitments for project costs to be supported by the University.
- if the project involves a consortium agreement with another institution, please refer to Section III, Subsection D, Part 2.
- checklist page

Agency requirements will determine when all or only some part of the above are required or when additional information must be included for proposal submission.

Submission deadlines for institutional reviews are:

1. Complex proposals: (those that include one or more of the following: contract proposals, consortium arrangements with other institutions, center grants, program projects, projects involving faculty participants from multiple school/colleges within the University)
   - 10 working days prior to agency deadline

2. Regular proposals:
   - 5 working days prior to agency deadline

PROPOSAL APPROVAL:
ORSPS has signatory authority for the University grant, contract and cooperative agreement proposals. Effective October 1994 the VP for Research delegated to the School of Medicine Research Office authority to sign off and submit to sponsoring agencies investigator-initiated grant applications. School of Medicine investigator-initiated grant applications that involve other schools/institutes require sign off by the non-medical unit and/or ORSPS prior to submission to the School of Medicine.

SUBSECTION B - COST ACCOUNTING STANDARDS IN RELATIONSHIP TO BUDGET PREPARATION
Adherence to the federal cost accounting standards (Attachment A) has significant implications for all aspects of the University’s financial activities, especially in the preparation and approval of budget materials for inclusion in proposals to federal sponsors. The University must provide assurances: (1) that costs incurred for the same purpose in like circumstances have been treated consistently as either direct or indirect costs; and (2) that the pricing of the proposed effort in sponsored projects has been undertaken in a manner consistent with the capacity of the University’s accounting system to accumulate and report expenditures incurred. This means that the sponsor should be able to compare the project proposal with the actual costs for any “significant” costs incurred in performance of the contract. Even though some fixed fee or performance based contracts, such as clinical trials, may require no final financial reports and may only require performance based budgets (such as the number of patients), all costs related to this activity should be accumulated in the appropriate account.

**SUBSECTION C - COST SHARING POLICY**

**GENERAL BACKGROUND ON COST SHARING:**
Cost sharing is the financial support contributed by Universities to sponsored projects. Cost sharing may be explicitly mandated by the sponsoring agency in the written program guidelines, or for federally sponsored programs, it may be made a requirement by Congress. In other programs, however, cost sharing may be more an expectation than a requirement. In still other cases, the PI may include it in the belief that it will enhance the chance of funding although there is no explicit or implicit requirement.

**DOCUMENTATION REQUIREMENTS FOR COST SHARING:**
The University is required to account for cost sharing consistently and in accordance with OMB Circular A-110, which states that: “All contributions, including cash and third party in-kind, shall be accepted as part of the recipient’s cost sharing or matching when such contributions...are verifiable from the recipient’s records...are necessary and reasonable for proper and efficient accomplishment of project or program objectives...are allowable under applicable cost principles (i.e., Circular A-21)...are provided for in the approved budget when required by the Federal awarding agency.” In short, cost sharing commitments offered by the University in support of a sponsored project must be treated in the same manner as are the direct costs charged to the sponsors of the project. This means that the University must have a system for subsequently documenting the cost sharing included in budget proposals.

**UNIVERSITY’S DEFINITION OF A COST SHARING COMMITMENT:**
A cost sharing commitment occurs when it is a stated requirement of the sponsored agency (mandatory cost sharing), or when it is explicitly set forth in the budget proposal but is not a requirement by the sponsoring agency (non-mandatory cost sharing). Explicitly set forth means that the cost sharing amount is stated in dollars or could be reasonably quantified based upon the information provided. Wayne State University’s policy is to assume cost sharing commitment only when required by the sponsoring agency or by the competitive nature of the award and then to cost share only to the extent necessary to meet the specific circumstances.

**COST SHARING/MATCHING CAN CONSIST OF:**
1. Salaries and Fringes
2. Non-Salary Expenditures (i.e., tuition, equipment, travel, etc.)
3. Indirect Costs - Please note: A waiver of indirect cost is equivalent to cost sharing of the University indirect cost. Any indirect cost waivers must be in accordance with Executive Order 86-2.
4. In-Kind Contributions (In-kind contributions are represented by goods or services provided by non-university employees, unrecovered overhead, real or personal property or use thereof from non-federal sources).
5. Third Party Contributions (Funds committed by other organizations and not recorded on the University’s financial records).

PRE-AWARD COST SHARING GUIDELINE:
Cost sharing funding generally is the responsibility of the University unit. In some instances, however, funds may come from a number of sources, including department, college/school, and central administration. In all of these cases, the funds that will be committed if the award is received must be approved by the funding unit before the proposal is submitted to the Office of Research Sponsored Programs Services (ORSPS) or, where appropriate, to the School of Medicine Research Office for review and approval. Please note that federal funds, whether received directly from the federal government or passed through to the University by another organization, cannot be used as a cost sharing match for other federal awards.

POST-AWARD ACCOUNTING FOR COST SHARING:
Mandatory and non-mandatory cost sharing must be documented for every grant and contract that requires a cost sharing commitment (either salary and/or non-salary). Shown on the next page is a matrix that relates the fund where the cost sharing may be recorded to the procedures that need to be followed for recording that cost sharing:

**PROCEDURES FOR COST SHARING (A, B, C, D, & E):**

<table>
<thead>
<tr>
<th>FUND (FUND #)</th>
<th>MANDATORY</th>
<th>NON-MANDATORY</th>
<th>IN-KIND</th>
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<tbody>
<tr>
<td>GENERAL FUND (1)</td>
<td>Separate, Unique Acct (A)</td>
<td>Special Departmental or Division/College Acct (D)</td>
<td>CSC (B)</td>
</tr>
<tr>
<td>DESIGNATED FUND (2)</td>
<td>Separate, Unique Acct (A)</td>
<td>Separate, Unique Acct or CSC (E)</td>
<td>CSC (B)</td>
</tr>
<tr>
<td>AUXILIARY FUND (227 OR 228) AND UNIVERSITY PUBLIC SCHOOL (UPS) (229)</td>
<td>Separate, Unique Acct (A)</td>
<td>Separate, Unique Acct or CSC (E)</td>
<td>CSC (B)</td>
</tr>
<tr>
<td>EXPENDABLE RESTRICTED:</td>
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<td></td>
</tr>
<tr>
<td>GRANTS and CONTRACTS (3 &amp; 4)</td>
<td>CSC (B)</td>
<td>CSC (B)</td>
<td>CSC (B)</td>
</tr>
<tr>
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</tr>
<tr>
<td>THIRD PARTY CONTRIBUTION</td>
<td>CSC (B)</td>
<td>CSC (B)</td>
<td>CSC (B)</td>
</tr>
</tbody>
</table>

Note: CSC stands for Cost Sharing Certificate

**PROCEDURES A, B, C, D AND E ARE DISCUSSED BELOW:**

**PROCEDURE A. APPLICABLE TO MANDATORY COST SHARING FROM THE GENERAL FUND, DESIGNATED FUND, AUXILIARY FUND, UNIVERSITY PUBLIC SCHOOL, EXPENDABLE RESTRICTED GIFT/ENDOWMENT/BENEFICIARY (FUND 4):**

1. A unique, separately budgeted cost sharing account will be established through ORSPS in the applicable fund series (General, Designated, Auxiliary Fund, UPS, or Expendable Restricted gift/endowment/beneficiary -Fund 4). If a tentative account is being requested, any related cost sharing account must be established at the same time.
2. These cost sharing accounts will be budgeted and administered by the home unit similar to all other operating accounts in that fund.
3. The source of funds for cost sharing may be from any account deemed appropriate and authorized from the applicable fund series stated in Item 1.
4. Either the Administrative Manager, Department Head or designee of the unit must prepare and submit:
   A. Budget transfer for the cost sharing account to the appropriate office (i.e. - Budget Office for Fund 1, ORSPS for Fund 4).
   B. Copy of Form 404, “Approval of Application for Grant or Contract,” and a Cost Sharing Certificate (CSC) listing the cost sharing.
   C. Where applicable, a PASS form for a new employee or change in account to be charged.

**PROCEDURE B. APPLICABLE TO MANDATORY AND NON-MANDATORY COST SHARING FROM EXPENDABLE RESTRICTED FUNDS 3 and 4 - GRANTS AND CONTRACTS OTHER THAN GIFT/ENDOWMENT/BENEFICIARY ACCOUNTS, IN-KIND CONTRIBUTION FROM ANY UNIVERSITY TYPE FUND AND NON-UNIVERSITY THIRD PARTY CONTRIBUTIONS:**
1. At the time of award, ORSPS will contact units regarding their cost sharing obligations, generating a Cost Sharing Certificate (CSC) form to the unit.
2. The unit will complete the CSC form documenting the related cost sharing, and return the form to ORSPS.

**PROCEDURE C. APPLICABLE TO MANDATORY AND NON-MANDATORY COST SHARING FROM SALARY REIMBURSEMENT ACCOUNTS (FUND 4):**
1. For every grant and contract where cost sharing is from a salary reimbursement account, an account will already be established by the School of Medicine Administrative Manager for each hospital to capture the cost sharing.
2. Copy of Form 404, “Approval of Application for Grant or Contract,” and a Cost Sharing Certificate (CSC) listing the cost sharing will be completed by the department.
3. These accounts will be budgeted and administered by the School of Medicine Business Office.
4. The PI and/or Departmental Administrator will prepare and submit a budget transfer to the School of Medicine Business Office.
5. Where applicable, a PASS form for a new employee or change in account to be charged should be submitted.

**PROCEDURE D. APPLICABLE TO NON-MANDATORY COST SHARING FROM THE GENERAL FUND:**
1. Non-mandatory cost sharing will be separately accounted for in the University’s accounting system through a separate cost sharing account(s) established by ORSPS within each General fund college/division. Also, this may include additional accounts within a college/division departments or different types of functions (i.e., Organized Research, Instruction and Public Service), depending on the needs of the unit.
2. These cost sharing accounts will be budgeted and administered by the home unit similarly to all other general operating accounts.
3. The source of General funds for cost sharing may be any account deemed appropriate and authorized.
4. Either the Administrative Manager, Department Head or designee of the unit must prepare and submit:
A. Budget transfer to the Budget Office placing the necessary funds into the cost sharing account
B. Copy of Form 404, “Approval of Application for Grant or Contract,” and a Cost Sharing
   Certificate (CSC) listing the cost sharing.
C. Where applicable, a PASS form for a new employee or change in account to be charged.

**PROCEDURE E. APPLICABLE TO NON-MANDATORY COST SHARING FROM NON-
GENERAL FUNDS (DESIGNATED, AUXILIARY, UPS, GIFT/ENDOWMENT/BENEFICIARY
ACCOUNTS):**

1. Depending on the circumstances, ORSPS will decide to either establish a cost sharing account in an
   account series related to the particular award or else record the cost sharing on a Cost Sharing
   Certificate (CSC) form.
2. If a cost sharing account is established, Procedure A must be followed. If the cost sharing will be
   recorded on a CSC form, Procedure B must be followed.

**EXAMPLE OF GENERAL FUND COST SHARING:**
Professor Dan determines that 50 percent of his effort was devoted to a federally sponsored research
project and 50 percent to instruction. Professor Dan has 25 percent of his salary paid from the federally
sponsored research project with the other 25 percent cost sharing requiring a match of his base salary
by the University. Professor Dan’s effort distribution /payroll costs distribution would be as follows:

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-25671-03</td>
<td>Instruction</td>
<td>50%</td>
</tr>
<tr>
<td>1-27000-01</td>
<td>General Fund Organized Research</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>Cost Sharing</td>
<td>50% to Organized</td>
</tr>
<tr>
<td>3-33256-01</td>
<td>Organized Research</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

This salary cost sharing will be charged to a General fund match account (1-27000-1 was established
for this project only). Grant and Contract Reporting will compute the fringe benefits and related
indirect costs associated with this match.

**SUBSECTION D, PART 1 - METHODOLOGY TO DEVELOP BUDGET ESTIMATES TO
COST CATEGORIES, SALARIES/WAGES AND RELATED FRINGE COST**

Please refer to Section II, Subsections D and E for the treatment of salaries/wages and related fringe
cost.

Below is a list of examples to help to determine if a particular activity may be considered by an agency
as significantly greater than the routine level provided by academic department administrative and
clerical staff, and therefore appropriate for their consideration as proposed budget line item(s). If the
budget line item(s) is approved by the agency, the cost(s) for the activity may be charged to the
sponsored projects.

- Grant managers performing extraordinary and extensive administrative support
- Extraordinary and extensive data entry
- Extensive research data accumulation and analysis
- Conducting a significant amount of interviews
- Requiring an extensive amount of laboratory technician activities
• Conducting a significant amount of computer research work
• Results from performing a significant amount of telephone surveys
• Extensive computer programming
• Extraordinary and greater than the routine budget creation and maintenance
• Writing manuscripts for publication (not data entry)
• Develop materials for more than one presentation
• Large conference planning and organization
• Requires an extensive amount of research training

The following represents administrative and clerical activities that normally should not be direct charged to grants or contracts:

• Departmental administrators (general departmental duties)
• Accounting and budgeting
• Filing
• Processing vouchers
• Routine travel related planning
• Routine data entry
• Routine telephone answering
• Routine database maintenance
• Typing of newsletters and brochures
• Data correction and organization
• Routine processing and tracking of purchase orders
• Typing of applications for awards

These examples are not exhaustive nor are they intended to imply that direct charging of administrative and clerical salaries would always be inappropriate for the situations illustrated in the examples.

**FACULTY SALARIES ON AWARDS:**
• Assignment of salary charges to grants or contracts should be coordinated with each unit through the deans/directors office. For example, the School of Medicine requires PI and Co-PI salary charges to the grant to be commensurate with effort (FTA/clinical/adjunct faculty are exempt from this requirement).

• If the University receives an award from a sponsoring agency but the agency has made an across the board reduction, the reduction should be adjusted across all budget categories including salaries.

**FRINGE COST:**
Fringe benefit costs are charged using a composite fringe benefit rate that is update each year (refer to Attachment B - Fringe Benefit Guidelines) that are applied to the wages charged to the award. These rates are developed based upon the fringe benefit packages for each employee job group. The fringe rates vary by employee group and may include some or all of the following fringe benefit costs:

Income Disability Insurance, Worker’s Compensation, Tuition Refund Program, Health Programs-Long-Term Disability, Unemployment Compensation, Life Insurance Program-Long Term Disability,
Women's Equity Retirement, Social Security (FICA), Retirement Program, Medical Insurance Program, and Life Insurance Program.
SUBSECTION D, PART 2 - METHODOLOGY TO DEVELOP BUDGET ESTIMATES TO COST CATEGORIES, NON-SALARY EXPENDITURES

Section II, Subsections A and B of this Guideline provides a list and/or description of allowable and unallowable cost items. In addition, because of the unusual nature or magnitude of some costs, additional criteria may be required to develop budget estimates in order to ensure consistency between budgeted and actual amounts.

CONSULTANT COSTS:
Consulting Costs Involving a University Employee: Please refer to Executive Order 86-8, “Consulting by University Faculty and Research Personnel.” Proposed payments of consultant costs to individuals within a University academic unit requires approval by the Dean and VP for Academic Affairs if it falls under an “overload assignment or additional service assignment” (refer to APPM 3.3.1). This cost would be included as part of the “Compensation” section of the budget and should be based on a percentage of the actual salary or an approved additional service assignment. 

Non-institutional Consulting Costing $7,500 or more: The budget for these costs should be based on actual quotes from consultants and/or reference to current agency expense guidelines.

EQUIPMENT AND OTHER CAPITAL EXPENDITURES:
Equipment Cost $7,500 or more: The budget for equipment costing $7,500 or more should be, if possible, based on an actual quote from vendors or a pricing catalog. In order to procure equipment costing more than $7,500, the Purchasing Department is required to obtain competitive bids (refer to APPM 2.2.3).

Fabricated Equipment: The items to be fabricated must be identified and justified in the project budget.

FOREIGN TRAVEL:
Foreign travel must be identified and justified in the budget. It may be approved either by the sponsoring agency or by ORSPS using the authority delegated by the sponsoring agency.

PATIENT CARE:
Budget requests for patient care costs require agency approval. The patient care budget may be increased without agency approval as long as this does not change the scope of the award. Budgeted patient care funds may not be rebudgeted into other budget line items without agency approval. Patient care costs are not subject to indirect cost recovery.

SUBCONTRACTS:
Subcontractor cost estimates should always be provided by the subcontractors themselves. When preparing a proposal that includes a subcontract to another institution, the material submitted should include:
  a. An institutionally approved budget for the subcontract
  b. A copy of the collaborating institution’s indirect cost rate agreement (if applicable)
  c. A letter of intent from the collaborating institution
  d. A checklist page from the collaborating institution
  e. If applicable, a lobbying certification from the collaborating institution if the total subcontracted cost exceed $100,000
If any of the above is not available, a memo must be signed by the PI stating that the item has been or will be requested.

**TRAINEE/PARTICIPANT COSTS:**
Trainee costs include stipends, tuition, fees (single coverage health insurance), and other training related costs (travel is not considered a trainee cost for budgeting purposes). Funds may be rebudgeted within stipend, tuition and fee categories, but may not be rebudgeted into training related or other categories without Public Health Services (PHS) approval.

**GRADUATE RESEARCH ASSISTANTS TUITION:**
The University requires that tuition be budgeted for graduate research assistants whose salaries are charged to grants. Tuition should be budgeted in the “Other” section of the proposal (not the fringe benefit section). The facilities and administrative (indirect) cost rate will not be applied to this cost item.

**SUBSECTION D, PART 3 - METHODOLOGY TO DEVELOP BUDGET ESTIMATES TO COST CATEGORIES, FACILITIES and ADMINISTRATIVE (INDIRECT) COST RATES**

Different facilities and administrative (indirect) cost rates apply for different sponsors. For projects supported by the federal government, different rates have been negotiated depending upon 1) the type of project (organized research versus instructional), 2) whether the project is to be conducted on or off campus, and 3) the facilities and administrative (indirect) cost rate limits of the program and agency. For projects supported by agencies other than the federal government, the written facilities and administrative indirect cost rate pertaining to all grants and contracts awarded by that sponsor should be applied. Generally in calculating the federal indirect costs, the federally negotiated rate is multiplied by the Modified Total Direct Cost (MTDC), which is the total allowable direct cost less equipment, patient care cost, student tuition remission and student support costs such as stipends, scholarships and fellowships, and each subcontract in excess of $25,000. Please refer to Executive Order 86-2 - Indirect Cost Return Policy for further clarification including requests for waiver.

**ON-CAMPUS AND OFF-CAMPUS ORGANIZED RESEARCH INDIRECT COST RATE:**
The on-campus research indirect cost rate is comprised of the following cost categories: (see Attachment G - Flowchart of Basic Indirect Cost Rate Calculation): Building Depreciation, Equipment Depreciation, Operations and Maintenance, General Administration, Departmental Administration, Sponsored Projects Administration and Library (refer to Section II, Subsection D for definition of Indirect Cost Activities). The off-campus rate is made up of the General Administration, Departmental Administration and Sponsored Projects Administration. The applicable on-campus and off-campus research indirect cost rates are found in Attachment C.

**CLINICAL TRIALS:** The indirect cost rate for non-federally supported clinical (i.e., those involving human subjects and sponsored by pharmaceutical companies) drug/device studies in hospital space is 18 percent of total direct costs.

**OTHER SPONSORED ACTIVITIES:** The indirect cost rate for Other Sponsored Activities is 24.5 percent of total modified total direct costs. Normally, these activities are conducted off-campus.
INSTRUCTION: The indirect cost rate for instructional activities is 68 percent of the total modified direct costs. Normally, these activities are conducted on-campus.

TRAINING GRANTS: The indirect cost rate for training grants including Career Development Awards is 8 percent of total allowable direct costs minus equipment, tuition and related fees.
GRANT AND CONTRACT FINANCIAL ADMINISTRATION GUIDELINE
SECTION IV
POST-AWARD FINANCIAL ADMINISTRATION
The University's payroll system has been designed to document payroll costs in accordance with OMB Circular A-21. Proper control over payroll expenditures is especially critical, since payroll and related fringe benefits typically account for at least 50 percent of an award's direct costs. If an awarding agency were to disallow payroll costs, it could have a substantial financial impact on a unit.

An individual should NEVER be charged to a grant or contract unless that individual is performing work for that project. If changes in payroll charges must be made, they should be submitted in a timely and accurate manner. Circular A-21 effort reporting guidelines requires that “any significant changes between estimated and actual activity must be promptly adjusted” in the payroll records. As a general rule, a change applicable to a given activity of 5 percent or more of an employee’s total effort would warrant an adjustment by the academic unit. Therefore, the changes in activity affecting effort distribution will not normally be made unless the change reflects an adjustment of 5 percent or more of an employee’s total effort over the reporting period. At the same time, every effort should be made to minimize the need for such changes in payroll charges through the use of more effective financial planning at the time the grant begins.

PASS forms for newly hired employees, additional service assignments and retroactive transfers of charges into restricted accounts must be initiated within 60 days of the effective start or transfer date. In all cases, changes should be initiated prior to grant/contract termination. They must be initiated no later than 30 days prior to the final report deadline. If an exception to the 60-day rule is required, a memo with a clear justification must be sent to the Vice President for Fiscal Operations for approval. Departments are encouraged to assign employees to restricted accounts as soon as the level of effort is known, so that retroactive transfers are kept to a minimum.

It is very important that the Payroll costs charged to University accounts are accurate. For this reason, the federal government requires institutions to have special systems in place to verify or "double check" that payroll costs are charged to the proper accounts. It is important to adhere strictly to these payroll verification procedures, in order to minimize the possibility that payroll costs would be disallowed by the sponsoring agency. At the University, all staff payroll charges must be confirmed on the Payroll Verification Reports.

**PAYROLL VERIFICATION REPORTS:**

1. The biweekly Payroll Verification form must be completed and returned to Payroll by 5:00 p.m. on Tuesday, prior to the distribution of payroll checks.
2. An official who has "direct knowledge of the activities of the persons indicated on the report" must certify the accuracy of all information on this Payroll Verification Report, including the distribution of effort. Basically, this official is confirming the accuracy of the distribution of effort. If the Payroll Verification Report is submitted with all information confirmed as correct or else corrected, this should minimize the need for subsequent transfers of payroll costs among accounts.

3. Where data is in error on this payroll, the certification requires that "steps have been taken to immediately make corrections." As previously mentioned, University policy requires that error corrections be made via a PASS form submitted within 60 days of the effective date of the change in charge. Corrections, which are needed, including PASS forms in process, should be indicated on the Payroll Verification form.

In addition, for those employees for whom a Bi-weekly Timesheet is submitted, the following tasks must be performed:

1. A biweekly Time/Exception Report must be submitted to Payroll by noon, Tuesday, after the close of the pay period.

2. The employee and the immediate supervisor must certify that the time and distribution effort on this Time/Exception Report are correct.

3. Where the distribution of effort is incorrect on the Time/Exception Report, the correction portion of the form must be completed and certified. University policy requires that time distribution corrections be submitted to Payroll within 7 days from the date the check was issued.

**SUBSECTION B - EQUIPMENT INVENTORY MANAGEMENT SYSTEM**

The University's Equipment Inventory management system is designed to meet the federal government's standards for administrative systems (OMB Circular A-110) and cost accounting (OMB Circular A-21). The University is responsible for maintaining a current, accurate inventory of all equipment and furnishings with a useful life of at least two years and a cost of more than $200. All of these equipment and furnishing expenses should be charged to either the Equipment - Over $500 object code (6110) or the Taggable Property object code (7670). The University is also required to take a complete physical inventory of its equipment and furnishings every two years.

While the Wayne State University Property Office is responsible for maintaining a continuous inventory of moveable equipment and furnishings owned by or in the custody of the University, they must rely extensively on each University unit to provide them with the addition, transfer and deletion information necessary to maintain these records on a current basis.

The Administrative Policies and Procedures Manuals requires the following actions to be reported to the Property Office by completing the Asset Activity Transmittal Form (10-195A):

**Acquisition of Moveable Equipment and Furnishings:**
The acquisition of moveable equipment and furnishings through purchases, fabrication, gift or federal excess property transfer must be reported in accordance with Section 6.1 of the APPM. Please note
that any federally funded equipment purchases (including federal passthrough monies) with a cost of $500 or more should be initiated by completing a Federal Funds Purchase Requisition (Form 107G) in accordance with APPM section 2.2.1.2.

Movement or Transfer of Moveable Equipment and Furnishings:
The permanent movement of property from either one campus location to another or the transfer of property to another institution MUST be reported to the Property Office on the Asset Activity Transmittal Form, 10-195A, in accordance with Section 6.2 of the APPM. Transfers of property to other institutions require the approval of the Departmental Chair, the Dean of the /School/College/Division and the Property Office.

Enhancement of Moveable Equipment and Furnishings:
If an item is rebuilt or substantially enhanced and the value and/or useful life is substantially extended, this activity should be reported to the Property Office in accordance with Section 6.3 of the APPM.

Fabrication of Equipment:
Equipment that is fabricated by a University unit must be treated as an equipment purchase and reported to the Property Office. If the fabricated equipment cost is in excess of $500, it should be charged to the Equipment - Over $500 object code (6110) and if the cost is more than $200 but less than $500, it should be charged to the Taggable Equipment object code (7670).

Sale and Disposal of Obsolete and Surplus Equipment:
All equipment and furnishings are disposed of by the Property Office in accordance with Section 6.4 of the APPM. This includes the equipment which is not owned by the University (such equipment usually belongs to the federal government).

Trade-In of Equipment:
Please note that equipment trade-ins should be conducted in accordance with Section 6.4.1 of the APPM. Asset Activity Transmittals should be completed and submitted to the Property Office for equipment trade-ins.

SUBSECTION C - UNIT ACCOUNT ADMINISTRATION AND MONITORING ACTIVITIES

TENTATIVE ACCOUNTS:
In those cases where a unit must begin work on a project prior to the completion of the formal agreement with the agency, any expenses related to this project should be charged to a "tentative" account which will be established by ORSPS. In order for ORSPS to consider such requests, the unit must complete and submit the tentative request form to them. (Copies of the form are available from ORSPS.) Please note that if the agency funding is not subsequently obtained, then the unit and its School/College/Division are responsible for funding the expenses charged to this account.

MONITORING FINANCIAL ACTIVITY:
Financial activity for each award should be monitored by the responsible departmental unit/account administrator/principal investigator on a timely basis. This is necessary in order to:
• ensure that all charges posted to the project account are accurate, allowable and correctly identified using the appropriate object code.

• all units properly exercise their financial fiduciary responsibility to the granting agency.

• minimize the financial adjustments/activity at the end of the grant, which facilitates the preparation of accurate and timely final reports by the Grant & Contract Reporting unit.

• ensure the most effective use of the available resources by the unit.

Account reconciliations should be prepared no less frequently than on a quarterly basis. Accounting posting errors should be brought to the attention of the Grant & Contract Reporting Department as soon as possible.

**ACCOUNTS RECEIVABLE:**
In those instances where a sponsored agency is billed for services provided by a WSU unit, the anticipated revenue from that sponsor agency is recorded in the unit’s account and an account receivable from this sponsored agency is recorded on the University’s financial records. However, if the sponsoring agency subsequently does not submit payment for this amount owed on account, then the estimated revenue recorded in the University unit’s account must be reversed. Should this happen, the account administrator for that account is responsible for obtaining alternative funding to offset this revenue loss. If such alternative funding is not obtained, this funding shortfall will be treated in accordance with the University’s deficit clearance procedure (Section V, Subsection A).

As a result, it is in the account administrator’s interest to ensure that all sponsored agency accounts receivable related to their accounts are paid in a timely manner. Account administrators are encouraged to do this by monitoring the status of open sponsored agency accounts receivable and following up with these agencies regarding payments due as needed. Units are also encouraged to work closely with the Grant & Contract Reporting unit in efforts to collect outstanding amounts owed by their sponsoring agencies.

**PURCHASING/EXPENDITURE DOCUMENT PROCESSING CUT-OFF (AAR / TER / IRB / SPA / Purchase Requisitions)**
For most awards, the financial reports can only include expenses for goods and other tangible property received or services performed by employees/contractors/subrecipients within the time period of the project. As a result, not only must these expenses be properly authorized before the award expiration date, but the goods must be received and any services performed no later than the project expiration date. Please note that this means that not only must the original payment or order documents (IRB, AAR, and Purchase Requisition) be initiated prior to grant/contract termination, but also that the goods/services must also be received/performed by this date. (Only SPAs and travel expense reports (TER) for expenses incurred in the last two weeks prior to termination can be issued after termination, and even these items can be submitted no later than 30 days after termination (so that the agency report can be submitted). As a result, for these types of awards, the fact that a purchase order or commitment remains open is necessary, but not sufficient, to be reported as an expense on the award's financial report.

Fiscal Operations
August, 1997
Only certain awards are allowed to report outstanding purchase orders in a manner similar to expenses, on the awarding agency financial reports. In general, these include only multi-year awards with the National Institutes of Health, Center for Disease Control, Department of Energy and the American Heart Association, and then not for the last year of an award.

Whenever possible, account administrators are strongly encouraged to initiate purchases at least 30 days prior to the award termination date.

OPEN COMMITMENTS
The principal investigator and related department are responsible for following up on outstanding open commitments, working with Purchasing, Disbursements and service departments to expedite payments and authorizing Accounting to liquidate invalid commitment documents. When preparing the final report, Grant & Contract Reporting will contact the department and ask the department to provide them with information on open commitments. If the department does not provide a satisfactory response, unverified SPAs and IRBs will be liquidated and unverified POs will be transferred to the continuation account, if there is one. NO provisions will be made in the final report for the unverified open commitments and any subsequent expenditures related to these items will have to be funded by the department from alternate sources.

SUBSECTION D - RE-BUDGETING RULES AND RESTRICTIONS

FEDERAL PROGRAMS
The purpose of U. S. Office of Management and Budget (OMB) CIRCULAR A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education," is to establish consistent policies for the administration of grants and other agreements with educational institutions. With respect to rebudgeting actions, the Circular identifies situations where the recipient must report deviations from approved financial plans and request approvals for revisions. Furthermore, rebudgeting of these costs will only be considered where they meet the criteria in Section II, Subsection (A), Part (1) - Direct Allowable Costs.

In the following situations, recipients must immediately request APPROVAL from a federal sponsoring agency, through the Office of Research and Sponsored Program Services, when a revision will be necessary:

- Transfer or subcontract of substantive programmatic work to another organization, including an affiliated medical institution.
  **Applies to:**
  All federal awards.

- Transfer of funds from indirect cost to direct cost.
  **Applies to:**
  U. S. Department of Education
  Public Health Service -- 8 percent indirect cost

- Transfer of funds allotted for training allowances to other categories of expense.
  **Applies to:**
National Science Foundation (NSF)-- Participant Costs
Public Health Service -- Trainee Costs
U. S. Department of Education -- Student Support

- Transfer funds awarded for Patient Care to any other category or transfer of funds incurred for patient care costs that were not previously budgeted.
  **Applies to:**
  - Public Health Service

- Principal Investigator is absent for more than 3 months or has reduction in effort greater than 25 percent.
  **Applies to:**
  - All federal awards

- Transfer between Direct Cost Categories
  **Applies to:**
  - Greater than 10 percent of total award -- All federal awards except the U.S. Department of Health and Human Services (DHHS) and the NSF
  - Greater than 25 percent of total award -- DHHS

**NON-FEDERAL PROGRAMS**

Rebudgeting restrictions on non-federal programs vary by agency. The grant/contract agreement, agency policy manual or agency program officer, through the Office of Research and Sponsored Program Services, must be consulted. Examples of common rebudgeting actions which require agency approval are as follows:

- Rebudgeting in excess of a specific $ and/or percent limit.
- Rebudgeting to create a new category.
- Rebudgeting to purchase equipment.

**SUBSECTION E - NON-PAYROLL EXPENDITURE TRANSFER GUIDELINES**

The University's Expense Transfer Guidelines has been designed to comply with OMB Circulars A-110 and A 21. Circular A-21 provides that "Any costs allocable to a particular research (sponsored) agreement...may not be shifted to other research (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 research agreement, or for other reasons of convenience." It also provides that these costs can only be transferred where they meet the guidelines set in Section II, Subsection A, Part 1 - Direct Allowable Costs.

**Memos to transfer expenditures into restricted accounts must be submitted to ORSPS no more than 120 days from the date that the charge was initiated** but no later than the grant/contract termination date. Memos should be approved by the Principal Investigator for closely related work and all other circumstances where agency/institution guidelines require PI signature. In all other cases, they must be approved by either the Principal Investigator or account administrator. Memos should include original document reference numbers and a complete justification explaining why the expense should be transferred. ORSPS will review the item for appropriate action and send approved memos to Grant Fiscal Operations August, 1997
& Contract Reporting who will then complete a journal entry to transfer the charges. The following types of transfers that meet these guidelines (and the applicable agency guidelines) are generally allowable:
• **Transfers Between Continuation Grants.** Transfers can be made to the continuation account where excess expenditures from a prior year are rolled over into the current year of a continuation grant (and sponsoring agency approval has been obtained), or if there is an NIH continuation account within the same project period and the goods were received after termination.

• **Transfers Between Grants Representing Closely Related Work.** When closely related work is supported by more than one funding source, a cost transfer from the originally charged funding source to the other grant may be made, provided that the transfer meets the conditions discussed in the first paragraph of the Non-Payroll Expenditure Transfer Guidelines, agency guidelines and is supported by documentation that contains a full explanation and justification for the transfer and a certification of the propriety of the transfer by the principal investigator or project director.

• **Transfers when prior written approval has been received from the sponsoring agency.**

• **Transfers Resulting from a Clerical or Bookkeeping Error.** Transfers of costs to grants which represent corrections of clerical or bookkeeping errors must be made promptly after the errors are discovered and, where possible, prior to the submission of the grant expenditure report. The transfer must be supported by documentation that contains a full explanation of how the error occurred and a certification of the correctness of the new charge. An explanation that merely states that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient.

**Types of transfers which may be allowable, but must be subject to especially rigorous scrutiny by the unit, college and ORSPS:**

• Transfer of an expense to a restricted account from an account which is in deficit.

• Transfers which bring the balance in an account to zero.

• Transfers which reduce an unexpended balance after termination date.

• Transfer of an expense which has previously been transferred or certified on another Final report.

• Non-Payroll transfer requests should be submitted no more than 120 days after the initiation of the charge, but no later than the grant/contract termination date. For payroll cost transfers please refer to Section IV, Subsection A - Payroll Costs.

**Types of transfers which are generally UNALLOWABLE:**

• Transfer of a lump sum, unidentified expense to a restricted account.

• Transfer of salary expense, not requested through the Payroll System.

• Transfer of an expense into a restricted account, if the expense was not incurred within the award period.
GRANT AND CONTRACT FINANCIAL ADMINISTRATION GUIDELINE
SECTION V
PROJECT CLOSE-OUT
SECTION V - PROJECT CLOSE-OUT

SUBSECTION A - AGENCY FINANCIAL REPORTS, DEFICIT CLEARANCE AND ACCOUNT CLOSE-OUT

All external agency financial reports are compiled and submitted by the Grant Accounting Section of Fiscal Operations, with the assistance of the University unit that directly administers the award. External agencies require the University to submit timely final financial reports. (Federal agency reports are typically due 90 days, state and private reports typically 60 days, and city reports typically 30 days after the grant end date.) In order for the University to submit these reports in a timely manner, the Grant Accounting unit needs the assistance and cooperation of the unit responsible for the project's financial activity.

Please note that the timely submission of these financial reports benefits both the University and its principal investigators. The federal government allows those institutions which submit federal final financial reports in a timely manner greater flexibility in the financial management of many federal programs. This flexibility is referred to as "expanded budget authority," (in some cases, it allows for the carry forward of fund balances for certain programs). The federal government currently allows the University to use this "expanded budget authority." However, the federal government could revoke the University's ability to use "expanded budget authority" in the future, if federal final financial reports are not submitted to the federal government in a timely manner. The assistance of PIs and departmental administrators is needed to ensure the timely submission of these agency financial reports in order to maintain "expanded budget authority" for the University. Please note that careful monitoring of each units' grant and contract financial activity throughout the course of the entire project greatly facilitates this process.

COMPILATION OF THE AGENCY REPORT

After the award expiration date, Grant & Contract Reporting will work with the responsible unit to compile the agency financial report. At the conclusion of this process, Grant & Contract Reporting provides the unit responsible for administering the award a Reconciliation Sheet. This Sheet reflects a reconciliation of the expenditures posted in the accounting system with those submitted to the agency. While it is important to clear all account posting errors as they occur during the term of the award, it is critical that any remaining account posting errors be brought to the attention of Grant & Contract Reporting as soon as possible after the award expiration date.

CERTIFICATION OF FINAL REPORT

In order to submit timely financial reports and prevent loss of funds, principal investigators are encouraged to review and certify the reports quickly. By the point in time when this report is sent, the Grant & Contract Reporting staff and account administrator have normally reviewed and discussed most, if not all, reconciling items and the financial/budgetary status of the award.
All final financial reports will be faxed to the administrative assistant for the principal investigator (PI) certification. The PI is given five days to review the financial report and return the signed report (by FAX) to Grant & Contract Reporting. The original report (certified by the Director of Grant & Contract Reporting) is not released to the sponsoring agency until PI certification is obtained, unless it is a federal agency award where all funds are expended or the agency guidelines allow balance carry forwards. (Please note that in certain situations involving agency deadlines, the submission of the final report cannot be held for the full five days for certification. In those cases, the request for certification will be marked RUSH with the certification due the same day.) If the PI does not return the certification within five days, a second request will be sent to the Departmental Chairperson, the College Business Office and ORSPS. At the same time a telephone inquiry will be made to the department. If no written response is received within two weeks of the second request, the report will be mailed to the agency without PI certification.

CLOSE-OUT
Once a project is concluded and the final financial report is submitted to the agency, it is important to complete the account close out process.

All expenses included as reconciling items on the Reconciliation Sheet, basically open commitments and account deficits, must be cleared before an account can be closed and deleted from the accounting system. The unit should monitor the clearance of reconciling items, following up on open commitments with Purchasing, Disbursement and service departments and responding promptly to all deficit clearance request. (Please refer to the Deficit Clearance Procedure discussed in the next section.) With the assistance of the unit, account close outs should be completed by the Grant & Contract Reporting Department six to nine months after the final report has been prepared. Please note that timely close out of accounts benefits the units since they no longer need to monitor an account's activity once it is closed and deleted, and also because it frees up account numbers for new projects which are being undertaken at the University.

DEFICIT CLEARANCE PROCEDURE
Wayne State University's fiscal policy prohibits spending in excess of available funds. On occasion, some Expendable Restricted fund accounts incur cost overruns. It is important that such overruns be avoided, and in those instances when they do occur, they should be funded as soon as possible.

When the final financial report is submitted to the external awarding agency, Grant & Contract Reporting provides the unit responsible for administering the award a Reconciliation Sheet form. As noted in the previous section, this Sheet reflects a reconciliation of the expenditures posted in the accounting system with those submitted to the agency, and identifies any account deficits. (If there is a deficit noted on the Reconciliation Sheet, it may not match FAS until all of the reconciling items have cleared.)

V - PROJECT CLOSE-OUT
Once a deficit is identified on the Reconciliation Sheet, Grant & Contract Reporting staff will verbally request the account administrator/principal investigator to provide an account where the cost overrun or deficit can be transferred to. Deficits can be cleared to General (including indirect cost return accounts) and Designated funds. **Deficits can't be cleared to other Restricted fund accounts.** Please refer to
the expenditure transfer policy, Section IV, Subsection (E) - Non-Payroll Expenditure Transfer Guidelines. If no alternative account is provided to fund this deficit in response to this verbal request, then a formal deficit clearance request will be sent to the principal investigator/responsible financial account administrator by the Assistant Director of Grant & Contract Reporting at the time that the external agency report is sent to them for certification (along with copies to the Department Chair, School/College/Division Business Office and the Dean).

If no response is received to this formal deficit clearance request within 30 days, then Grant & Contract Reporting will transfer the deficit to the principal investigator's indirect cost return account or Designated funds. If there are no such funds available, then the deficit will be transferred to the principal investigator's department’s indirect cost return account, Designated funds accounts or other General funds accounts. Where neither the principal investigator nor department have any funds available, the deficit will be transferred to the School/College/Division indirect cost return account, Designated funds accounts or other or General funds accounts. Grant & Contract Reporting will formally advise the principal investigator and appropriate account administrator of the account where it clears any such deficits to.

The deficit amount could change if reconciling items clear for a different amount or other expenditure changes are necessary. In those cases where this creates additional deficits, they will be funded in accordance with the above procedures. In those cases where this creates surplus funds, these funds will be transferred back to the account that originally provided the deficit clearance funding.

Please address specific questions regarding external agency regulations or University policies relative to external funds to the Office of Research and Sponsored Program Services (577-2291) or the Grant Accounting Department (577-3726). Inquiries regarding moveable equipment and furnishings should be addressed to the Property Office (577-3698).
GRANT AND CONTRACT FINANCIAL ADMINISTRATION GUIDELINE
SECTION VI
ACCOUNT FINANCIAL ADMINISTRATION INFORMATION/TRAINING
SECTION VI - ACCOUNT FINANCIAL ADMINISTRATION
INFORMATION/TRAINING

School/college/division staff with financial administration responsibilities are encouraged to attend the Accounting Department's training sessions regarding these matters. They offer one training session in the basics of how to use the financial accounting system and another session that deals with the financial accounting aspects of grants and contract administration. Please contact the Staff Training and Development Department for more information regarding these training sessions. Those staff with responsibilities for U. S. Public Health Service, U.S. Department of Education and National Science Foundation awards are also strongly encouraged to obtain the award administration guidelines published by these agencies to assist in administering these awards. Please contact the Grant & Contract Reporting Department (577-3726) for copies of these documents. Questions regarding University policies can also be resolved by referencing the Administrative Policies and Procedures Manual, which can be accessed on-line through the University's CICS mainframe system or obtained in hard copy from the Management Information Support Center.

Please address specific questions regarding external agency regulations or University policies relative to external funds to the Office of Research and Sponsored Program Services (577-2291) or the Grant Accounting Department (577-3726). Inquiries regarding moveable equipment and furnishings should be addressed to the Property Office (577-3698).
ATTACHMENTS

ATTACHMENT A

COST ACCOUNTING STANDARDS APPLICABLE TO UNIVERSITIES

Wayne State University is required to comply with four cost accounting standards:

1. **Consistency in the selection and use of a cost accounting period.**

   The University uses its normal fiscal year financial reports to prepare cost accounting reports to negotiate facilities and administrative (indirect) cost rate(s) with the federal government. Project periods for grants and contracts are based on negotiations with sponsors and are not covered by this standard.

2. **Identification and exclusion of specifically identifiable unallowable costs**

   OMB Circular A-21 identifies certain specific items of cost which are **not** allowable as either a direct or indirect costs on federally sponsored projects, unless the cost is specifically included in the approved agency budget or subsequent specific agency approval is formally granted.

3. **Consistency in allocating costs incurred in like circumstances for the same purpose**

   Costs that can be identified with **one** activity or assigned to one activity relatively easily with a high degree of accuracy should be classified as direct costs of that specific activity. Costs that benefit multiple activities or cannot be reasonably and accurately apportioned to direct activities should be classified as indirect costs. Examples of indirect costs are the salaries and wages of support personnel and administrators whose efforts on any one project is not significant, general departmental supplies, such as paper and pencils, photocopying for general departmental files, and repairs and maintenance of general purpose or multi-use equipment. Each type of cost should be treated consistently in like circumstances as a direct or an indirect cost across the entire University. This prevents the federal government from paying twice for a particular cost item (i.e., through both the direct cost and the indirect cost rate reimbursement mechanism).

4. **Consistency in estimating, accumulating, and reporting costs.**

   Practices for estimating costs included in the proposal to potential sponsors must be consistent with the practices used to actually accumulate and report costs incurred during contract performance. This means that the sponsor should be able to compare the project proposal budget with the actual costs for any “significant” costs incurred in performance of the contract. Even though some fixed fee or performance based contracts, such as clinical trials, may require no final financial reports because award funding was based upon performance based budgets (such as the number of patients), all costs related to this activity should be accumulated in the appropriate account.
**CHARGING EXPENDITURES**

**DIRECT VS. INDIRECT**

**QUICK REFERENCE**

The following Quick Reference lists common expenditures, and whether they are generally charged as direct or indirect costs to federally sponsored programs. The detailed WSU policy should be referenced to fully understand how costs should be charged for specific circumstances. Please note that to be charged as a direct cost, the item must be in conformance with the approved agency budget.

<table>
<thead>
<tr>
<th>DIRECT</th>
<th>INDIRECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Project salaries &amp; related fringes</td>
<td>-Administrative salaries*</td>
</tr>
<tr>
<td>-Student aid</td>
<td>-Clerical salaries*</td>
</tr>
<tr>
<td>-Advertising for recruitment of personnel related to the project or study subjects</td>
<td>-Books, Periodicals, Journals and Subscriptions*</td>
</tr>
<tr>
<td>-Consultant services</td>
<td>-Building depreciation</td>
</tr>
<tr>
<td>-Equipment - used solely for program specific purposes</td>
<td>-Departmental copying*</td>
</tr>
<tr>
<td>-Long distance telephone charges used for project specific purposes</td>
<td>-Equipment depreciation</td>
</tr>
<tr>
<td>-Maintenance contracts - special purpose equipment used in conducting the project</td>
<td>-Insurance</td>
</tr>
<tr>
<td>-Meetings &amp; Conferences whose primary purpose is the dissemination of technical information</td>
<td>-Library costs</td>
</tr>
<tr>
<td>-Patient care</td>
<td>-Local telephone charges*</td>
</tr>
<tr>
<td>-Printing &amp; Publication</td>
<td>-Maintenance contract - general purpose</td>
</tr>
<tr>
<td>-Rentals &amp; Leases - Building - rented space for use by project personnel paid directly on a grant or contract</td>
<td>-Memberships &amp; Dues*</td>
</tr>
<tr>
<td>-Repairs &amp; Maintenance - special need (non-routine) repair or maintenance to space or equipment that is specifically identifiable and primarily related to the performance of that project.</td>
<td>-Office Supplies*</td>
</tr>
<tr>
<td>-Service center charges</td>
<td>-Postage or Delivery Costs*</td>
</tr>
<tr>
<td>-Subcontracts</td>
<td>-Proposal Preparation Costs</td>
</tr>
<tr>
<td>-Supplies - Material, Research and Lab</td>
<td>-Repairs &amp; Maintenance - general purpose or routine in nature</td>
</tr>
<tr>
<td>-Travel</td>
<td>-Security costs</td>
</tr>
<tr>
<td></td>
<td>-Sponsored Program Administration</td>
</tr>
<tr>
<td></td>
<td>-University Administration</td>
</tr>
<tr>
<td></td>
<td>-Utility costs</td>
</tr>
</tbody>
</table>

*These costs may be charged directly to federally sponsored programs provided the sponsoring agency has explicitly approved a budget for these categories. In order for the sponsoring agency to do this, these costs must be extraordinary and used in significantly greater proportions by a project than a routine level of effort would require (refer to Section II, Subsection D - Clerical and Administrative Costs).
Wayne State University
Memorandum

To: Dean, Directors and Chairpersons
From: Daniel J. Graf, Director Ext.7-.2291
Office of Research and Sponsored Programs Services

Subject: Grants and Contracts Guidelines
Date: October 13, 1995

1. Indirect Cost Rates

Research Projects

<table>
<thead>
<tr>
<th>Date</th>
<th>On Campus</th>
<th>Off Campus</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/1/89-9/30/94</td>
<td>51.0% MTDC</td>
<td>25.0% MTDC</td>
</tr>
<tr>
<td>10/1/94-9/30/95</td>
<td>51.0% MTDC</td>
<td>24.5% MTDC</td>
</tr>
<tr>
<td>10/1/95-9/30/98</td>
<td>50.0% MTDC</td>
<td>24.5% MTDC</td>
</tr>
</tbody>
</table>

Instructional and Other Non-Research Project

<table>
<thead>
<tr>
<th>Date</th>
<th>On Campus</th>
<th>Off Campus</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/1/90-9/30/94</td>
<td>68.0% MTDC</td>
<td>26.0% MTDC</td>
</tr>
<tr>
<td>10/1/94-9/30/95</td>
<td>68.0% MTDC</td>
<td>24.5% MTDC</td>
</tr>
<tr>
<td>10/1/95-9/30/98</td>
<td>68.0% MTDC</td>
<td>24.5% MTDC</td>
</tr>
</tbody>
</table>

(Provision)

Date of DHHS Agreement: 9/21/95

These rates are applied to a Modified Total Direct Cost (MTDC) base. All direct costs are included in this base EXCEPT the following: Alterations, improvements, renovations, tuition, stipends, patient care charges, equipment, and the portion of each individual subgrant or subcontract in excess of the initial $25,000. These cost should be requested on all proposals unless the policy of the sponsoring agency specifically prohibits them or often other predetermined rates.

2. Salary Increase

A 4.0% Increase should be estimated for faculty, professional and clerical salaries and fringe benefits for future years. The suggested 4.0% progression for future years is only to provide an estimate for budgeting purposes. Final salaries are determined by our contractual arrangements and university policy.

Revision 10/95

NOTE: (MTDC) Base also excludes Rental/Maintenance of Off-Site activities.
Wayne State University

Memorandum

To: Dean, Directors and Chairpersons

From: Daniel J. Graf. Director
       Office of Research and Sponsored Programs Services

Subject: Fringe Benefits Guidelines

Date: October 13, 1995

The following guidelines are provided for use in budgeting for proposals; to sponsoring agencies.

**FULL TIME**

<table>
<thead>
<tr>
<th>Position</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty (9 month and 12 month)</td>
<td>23.2</td>
</tr>
<tr>
<td>Academic Staff (Research Assistants/Associates)</td>
<td>23.2</td>
</tr>
<tr>
<td>Secretarial</td>
<td>37.2</td>
</tr>
</tbody>
</table>

**PART-TIME**

<table>
<thead>
<tr>
<th>Position</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty (Summer - 9 month supply only)</td>
<td>17.0</td>
</tr>
<tr>
<td>Technicians</td>
<td>11.3</td>
</tr>
<tr>
<td>Graduate Students (excluding tuition)</td>
<td>23.224.0</td>
</tr>
<tr>
<td>Student Assistants</td>
<td>0.0</td>
</tr>
</tbody>
</table>

If an overall average is allowed by the sponsor agency, a 21.2% rate for full time positions is suggested.

*For Graduate Assistants, an allowance must be made for tuition, which is not considered in the composite fringe benefit rate. A charge for up to 10 graduate credit hours per semester is allowable. This amounts to $1,550 per semester for up to 3 semesters for 12-month appointees. In order to be classified as a Graduate Assistant by the Graduate School, a student must take a minimum of 6 graduate credit hours per term of appointment. The appropriate amount for tuition should be added in the category "Other" of the budget.

Please call me if you have any questions in applying these rates.

cc: G. Hebtriein
J. Davis
Revision 10/95
INTRODUCTION


In the spirit of the Federal government's reinvention initiatives, the NIH developed a streamlined process for the submission of information necessary to receive a noncompeting award. Before the streamlining, a progress report and four financial documents were required for each grant budget year. This streamlining action eliminated, where nonessential, two of those financial documents that were part of the noncompeting continuation application kit (PHS 2590): a budget for the next budget period and an estimated report of expenditures for the current budget period. The basic principle of SNAP is that at the time of the competing award, the Grants Management Officer negotiates the direct costs for the entire competitive segment, thus eliminating the need to engage in annual direct cost negotiations. As part of that negotiation, NIH staff assures that proposed costs are allowable, allocable, reasonable, and necessary for the project. Since the budget is negotiated for all years of the competitive segment at the time of the initial competing award, annual requirements for financial documentation are streamlined in that only a programmatic progress report, the Federal Cash Transactions Report, and the Financial Status Report are required to enable NIH staff to monitor the scientific and financial aspects of the project.

SNAP ELIGIBILITY

NIH grant recipients (including those participating in the Federal Demonstration Project) are expected to follow the streamlined noncompeting process for mechanisms routinely covered under expanded authorities, except Program Project Grants (POIs) and Outstanding Investigator Grants (R35s). As published in the NIH Guide for Grants and Contracts, Vol. 23, No. 45, December 23, 1994, NIH routinely applies expanded authorities to Program Project grants (POIs), Minority High School Student Research Apprentice Program awards (S03s), Research Career Awards (K-Series), and all Research Project grants (R-Series), except Phase I Small Business Innovation Research (R43) and Small Business Technology Transfer (R41) awards.

Any award excluded from expanded authorities is routinely excluded from SNAP, unless specifically included in SNAP as a term and condition of the award. Individual awards may be excluded from routine inclusion under SNAP (and expanded authorities) based on the following criteria:
• Grants that require close project monitoring or technical assistance, e.g., clinical trials, exceptional (high-risk) grantees, certain large individual or multi-project grants, or grants with significant unobligated balances.

• Grantees that have a consistent pattern of failure to adhere to appropriate reporting or notification deadlines.

Any additional activity that has been included under expanded authorities at the discretion of an awarding Institute or Center (e.g., centers, training grants, or cooperative agreements), will be excluded under SNAP, unless inclusion is specifically footnoted as a term” and condition of the award.

SNAP INSTRUCTIONS

The instructions for submitting the streamlined noncompeting application require that the information below be provided at the beginning of the Progress Report Summary (Form Page 5 from PKS 2590 kit, rev. 5/95). These instructions are included in the PHS 2590 (rev. 5/95) under A. Simplified Instructions, page 2. In providing the information, the following guidance applies.

• Has there been a change in the other support for key personnel? Specific information is to be provided only if active support has changed. If a previously active grant has terminated and/or if a previously pending grant is now active, the change in support is to be reported. Submission of other support information is not necessary if support is pending or for changes in the level of effort for active support reported previously. Other support information should be submitted only for the principal investigator and for those individuals who are considered by the principal investigator to be key to the project. Key personnel is defined as an individual who contributes in a substantive way to the scientific development or execution of the project, whether or not a salary is requested. Key personnel is defined on page 11 of PHS 398 grant application kit (rev. 5/95).

• Will there be, in the next budget period, significant rebudgeting of funds? Significant rebudgeting occurs when expenditures in a single direct cost budget category deviates (increases or decreases) from the categorical commitment level established at the time of the competing award by more than 25 percent of the total amount awarded or $250,000, whichever is less. The basis for determining significant rebudgeting excludes the effects of carryover of prior year unobligated balances, but includes competing or administrative supplements. This implementation redefines significant rebudgeting contained in the current PHS Grants Policy Statement (rev. 4/1/94), Pages 8-1 and 8-7.

• Will there be, in the next budget period, a change in the level of effort for key personnel? A significant change in level of effort is defined in Federal regulations as a 25 percent reduction in time devoted to the project. For example, if a key person on the project is expected to reduce his/her effort from 40 percent to 30 percent, which represents a 25 percent reduction in the level of effort, the detailed budget page (Form Page 2) and the budget justification page (Form Page 3) are to be submitted in the noncompeting continuation. This requirement applies regardless of whether or not the key person is compensated from the grant.

• Explain any estimated unobligated balance (including prior year carryover) that is greater than 25 percent of the current year's total budget or more than $250,000. An estimated unobligated balance that meets this criterion is to be reported on the Progress Report Summary page (Form Page 5).
explanation of why there is a significant balance and how it will be spent if carried forward into the next budget period is to be provided.

The questions regarding other support and significant rebudgeting and/or change in level of effort must be answered by stating that no change has occurred or is planned. If a change has occurred or is planned, the appropriate form and/or justification is to be submitted in the noncompeting continuation application. Information regarding unobligated balances must be provided when it is anticipated that there will be an unobligated balance (including prior year carryover) of 25 percent of the current year's total budget or more than $250,000.

The Progress Report Summary; (Form Page 5) is to be used to provide the requested information, which should be provided before beginning the progress report. The progress report instructions contained in pages 7-9 of the PH3 2590 (rev. 5/95) should be followed for reporting on research progress. Separate progress reports are routinely required for special supplements awarded specifically to support the addition of an individual to the project. The Research Supplement for Underrepresented Minorities and the Research Supplement to Promote the Recruitment of Individuals with Disabilities into Biomedical Research Careers are examples of special supplements requiring separate progress reports. A separate budget for these special supplements is not required unless there is a significant change as discussed above.

SNAP PHASE II

The second phase of SNAP is a logical extension of the award process and involves the Noncompeting Notice of Grant Award.

Beginning October 1, 1995, noncompeting award notices for grants subject to the SNAP will be issued without direct cost categorical breakdowns (e.g., personnel, supplies). Award notices will provide only the total direct and indirect costs awarded for that budget period. For this phase-in year, indirect cost base and rate information will be provided either on the award notice or as an attachment. Although SNAP awards provide no categorical breakdown of direct costs, recipients are required to allocate and account for these costs by category in accordance with applicable cost principles.

Future Year Commitments: Remaining future year commitments will be modified to reflect total cost (both direct and indirect) commitments. (See NIH Guide notice "Future Year Commitments on NIH Grant Awards" in this issue.)

PRIOR APPROVAL REQUIREMENTS

The grant mechanisms included in SNAP are administered under the Expanded Authorities' provisions of 0MB Circular A-110, which waives cost related prior approvals. The prior approval authorities retained by PHS will remain in effect under SNAP. However, three indicators of "Change of Scope or Research Objectives" as contained in the PHS Grants Policy Statement on page 8-7 (rev. 4/1/94), require clarification since noncompeting awards under SNAP will not have categorical direct cost breakdowns.
a. Initiating patient care activities where none had been approved during the negotiation of a competing award will continue to signify a change in scope and is based on programmatic changes rather than rebudgeting actions.

b. Initiating a subcontract that transfers a substantial portion of the work to a third party where none had been approved during negotiation of competing award also remains an indicator of a change in scope and is based on programmatic changes rather than rebudgeting actions.

c. Significant rebudgeting continues to be an indicator of change of scope. However the basis on which significant rebudgeting is determined has been redefined. (See above.)

INQUIRIES

Grantee staff with questions about SNAP should contact the Grants Management Specialist identified on the Notice of Grant Award.
SUPPLEMENTAL INFORMATION
APPLICATION FORM PHS 2590
(Insert before Progress Report)

Grant Number: _____________________________

1. Has there been a change in other support of key personnel since the last reporting period?
   □ YES (If yes, complete form page 5)
   □ NO

2. Will there be, in the next budget period, significant rebudgeting of funds (cumulative amount of
   rebudgeting among direct cost categories exceeding 25% of total award) and/or change in level
   of effort for key personnel from what was approved for this project?
   □ YES (If yes, complete form page 2 & 3)
   □ NO

3. Any estimated unobligated balance (including prior year carryover) that is greater than 25% of
   the current year's total budget or more than $250,000?
   □ YES (If yes, explain)
   □ NO

   (Authorized Grantee Official)          (Date)