

Cooperative
Ecosystem
Studies Units
Network



Administrative Guidance

Allowable Direct Costs under CESU Agreements

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Introduction

The purpose of this section is to provide guidance to CESU Network partners on allowable direct costs charged to projects under CESU cooperative agreement modifications, task agreements and task orders (referred to as CESU projects in this section). The objective of this section is to assist CESU Network partners in accomplishing their mission in the most cost-effective manner.

This section will be of interest to:

- Deans and Vice Presidents of research offices in universities and other institutions,
- Financial administrators in universities and other institutions,
- University professors,
- Principal investigators,
- Federal resource and program managers, and
- Federal agency grants and cooperative agreement administrators.

This section will present:

- A background on the creation of the CESU Network,
- A background on legal authorities and regulations governing allowable direct costs under Federal cooperative agreements,
- The definition of direct costs that are allowable under cooperative projects,
- Examples of allowable direct costs under cooperative agreement projects,
- Guidance to CESU Network partners when developing proposed budgets for projects under cooperative agreements, and
- Sources where CESU Network partners can gain additional information on allowable direct costs.

Background on the Creation of the CESU Network

The Cooperative Ecosystem Studies Units (CESU) Network was authorized when Congress passed the National Parks Omnibus Management Act in October 1998. President Clinton signed this bill into Public Law (PL 105-391 - Sec. 203). It authorized and directed the Secretary of the Interior “to enter into cooperative agreements with colleges and universities, including but not limited to land grant schools, in partnership with other Federal agencies, to establish cooperative study units to conduct multi-disciplinary research and develop integrated information products on the resources of the National Park System, or the larger region of which parks are a part.”

All participating Federal agencies are signatories to a Memorandum of Understanding (MOU). This MOU established the CESU Network, defined the CESU Network mission, and listed other authorities promoting science cooperation among agencies. Seventeen individual biogeographic regions were defined under the CESU Network. Each individual CESU was established through a formal competitive process. A host university is the primary contact for each CESU. Federal agencies contribute scientific staff as appropriate and funds for specific research, technical assistance and education projects. Individual CESU Network projects are funded and administered under modifications to that CESU’s cooperative agreement. For more information on the CESU Network, visit <http://www.cesu.org/cesu> on the world-wide-web.

Authorities Leading to Allowable Direct Cost Principles

The Constitution of the United States authorizes Congress to create laws and regulations allowing the Federal Government to conduct its business. Congressional Acts are signed into Public Law (PL) by the President's signature and then codified in the United States Code (U.S.C.). The U.S.C. is the general and permanent law of the United States. It is divided by broad subjects into 50 titles and published by the Office of the Law Revision Counsel of the U.S. House of Representatives. Since 1926, the U.S.C. has been published every six years. Annual modifications are published in order to present the most current information.

The Executive Branch of the government (The President) also creates laws by issuing Executive Orders (EO). The Office of Management and Budget (OMB) administers and implements EOs issued by the President. For example, EO 12876, 12900, and 13021 provide legal authority and enhanced opportunities for minority serving institutions such as Historically Black Colleges and Universities (HBCU), Hispanic Serving, and Tribal and Native Alaskan Institutions.

The Federal Government establishes regulations that govern management of federally sponsored grants and cooperative agreements. These regulations are periodically revised and published for public access. It is always advisable to consult appropriate regulations for up-to-date information when developing CESU Network project budgets. The following world-wide-web sites provide pertinent and current information published by the OMB, The Federal Register (FR), Code of Federal Regulations (CFR) and the Office of the Law Revision Counsel of the U.S. House of Representatives:

<http://www.whitehouse.gov/omb/grants/index.html>

<http://www.gpoaccess.gov/fr/index.html>

<http://www.gpoaccess.gov/cfr/>

<http://uscode.house.gov/lawrevisioncounsel.php>

The Intergovernmental Cooperation Act of 1968 authorized OMB to issue standardized grant and cooperative agreements management practices for state and local governments. Because of inefficiencies resulting from dealing with diverse sets of rules, OMB decided to treat grants and cooperative agreements, for similar types of organizations, under a common system. In 1971, OMB issued the first version of Circular A-102, *Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments*. In 1976, OMB published uniform administrative requirements in the Circular A-110: *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*. These documents set forth standards to achieve consistency and uniformity among the federal agencies in the administration of grants and agreements.

The standardization process continued, assisted by legislation including the 1978 Federal Grant and Cooperative Agreement Act, 31 U.S.C. §§6301-6308. This Act established a single government-wide definition of a grant, cooperative agreement and contract. The 1999 Federal Financial Assistance Management Improvement Act, PL 106-107, required federal agencies to streamline and simplify requirements for grant application and management. OMB further streamlined requirements by issuing Circular A-133 that reduced differences among the cost principles circulars and also consolidated audit requirements. Cost principles are the criteria established by OMB that cooperative agreement recipients use to determine if project costs are allowable as direct costs or otherwise.

The Federal Government then published standardized guidance documents that provide direction on proper use of federal funds (OMB Circulars that address cost principles). For example, OMB Circular A-21 stated that its purpose is to:

“Establish principles to determine costs applicable to grants, contracts, and other agreements with educational institutions. The principles deal with the subject of cost determination, and make no attempt to identify the circumstances or dictate the extent of agency and institutional participation in the financing of a particular project. The principles are designed to provide that the Federal Government bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law.”

The circulars also intend to provide consistency and uniformity in agencies' administration of grants and cooperative agreements, to the extent practicable, among similar organizations doing comparable work. The following OMB Circulars address the cost principles for different types of organizations in the CESU Network:

- OMB A-21 addresses Educational or Institutions of Higher Education,
- OMB A-87 addresses State, Local, Indian Tribal Governments, and
- OMB A-122 addresses Non-Profit Organizations.

Currently, over 80% of the non-government partners in the CESU Network are colleges or universities. Thus, the OMB Circular A-21 will be the primary focus in this section as it deals specifically with universities and institutions of higher education. However, there are many similarities among the cost principles of the three circulars that apply to other types of organizations that are CESU partners. Individual CESU partners must establish which circular their organization must use in determining appropriate cost principles.

The Code of Federal Regulations (CFR) is the document that lists rules and regulations made by executive departments and federal agencies. Each Department's regulations are defined under a numerical title. For example, a legal citation for the Department of the Interior (43CFR12) refers to Title 43 (DOI) and Part 12 – ADMINISTRATIVE AND AUDIT REQUIREMENTS AND COST PRINCIPLES FOR ASSISTANCE PROGRAMS.

Recently, OMB established a new title 2 of the CFR entitled “Grants and Agreements,” with subtitles A and B. Sections of 2 CFR remain incomplete. Guidance (including cost principles) that is currently found in the above listed OMB documents (circulars) will be contained in 2 CFR Subtitle A. Part 215 already contains OMB Circular A-110. Each Federal agency, having regulations pertaining to grants and cooperative agreements, will have a chapter in subtitle B that presents its agency's regulations pertaining to grants and cooperative agreements. When 2CFR is complete, it will supercede the OMB circulars. Currently, the OMB Circulars are still in effect and must be used for cost determination in cooperative agreements.

Allowable Direct Costs Defined

Allowable direct costs are those project costs that can be easily and specifically identified (with a high degree of accuracy) with a particular CESU cooperative agreement funded by a CESU partner agency. The treatment of CESU project direct costs must be consistent with the institutions treatment of costs incurred for the same purpose in like circumstances.

CESU partners should use the following tests of *allowable direct costs* (as summarized from OMB Circulars) when administering CESU research projects, technical assistance or educational activities within the CESU:

- Allowable direct costs are costs that can be directly assigned to, or identified specifically with, a particular project funded by a CESU partner agency and conform to any limitations or exclusions set forth in generally accepted accounting principles or as university or institution policy mandates. Such costs, or a portion of costs, must be easily and with a high level of accuracy, assigned to the specific CESU project.
- Direct costs must be reasonable: costs may be considered reasonable if the price and the nature of the goods or services acquired or applied to the CESU project, reflect the action that a prudent person would have taken under the circumstances and market conditions, prevailing at the time the decision was made to incur that cost.
- Direct costs must be consistently treated: costs must be treated similarly to like circumstances under other institutional grants and cooperative agreements and be consistent with institutional policy guidelines.

The cost principles described in OMB Circulars do not dictate whether a particular cost should be treated as direct or otherwise. The OMB Circulars provide general definitions for cost determination and provide some examples intended to guide institutions' cost treatment and accounting of Federal funds. Cost treatment is determined by the CESU partner institution's accounting system and cost definitions currently practiced under other federally funded projects administered by that institution. Consistency in charging the same costs in like circumstances is important.

Below is a presentation of some examples of direct costs that may be allowed under cooperative agreements such as CESU projects. CESU projects are defined as those activities funded by the Federal Government within the CESU Network as established by the CESU Cooperative Agreement. Costs associated with facilities and administration (F&A - often referred to as indirect costs) will be addressed elsewhere in this manual.

Direct Costs Allowed under Cooperative Agreement Projects

The following are examples (adapted from OMB circulars) of direct costs that may be allowable for projects under cooperative agreements, including CESU Network agreements:

Advertising and public relations costs: Costs associated with recruitment of personnel or staff needed for the conduct of a CESU project may be allowed as direct costs. Solicitation or advertising costs to purchase goods and services, disposal of scrap or surplus materials, and

other costs to communicate with the public and press concerning the CESU project may be allowed as direct costs. (OMB A-21, Sec. J.1)

Communications: Special communications costs needed specifically for the conduct of CESU projects may be charged as direct costs. For example, special land-based telephone lines needed to conduct a telephone survey may be considered allowable direct costs. Another example may be costs associated with electronic or computer transmittal service, special radio communications systems, satellite telephones, or cellular telephones if needed to conduct the project and agreed to by the CESU partner agency funding the project. (OMB A-21, Sec. J. 9)

Compensations for personal services: The portion of costs of personal services, salaries, wages and fringe benefits of principal investigators (PI), faculty, research staff, and others directly working on CESU projects, are considered allowable direct costs. These costs are calculated as the percent of time spent on the CESU project relative to that person's total appointment in the university or institution during the CESU project. (OMB A-21, Sec. J. 10)

Express shipping, freight or special delivery: Cost of shipping project material or reports in a non-routine manner and if directly needed to conduct a CESU project, may be treated as allowable direct cost. (OMB A-21, Sec. J. 52)

Materials and supplies: Direct cost incurred for materials, supplies, and fabricated parts necessary to carry out a CESU Network project are allowable as direct costs. Purchased materials and supplies shall be charged at their actual prices. Use of materials or supplies from institution stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals. These costs should be consistently applied. Delivery charges are a proper part of materials and supplies costs. Only materials and supplies actually used for the performance of the CESU Network project may be charged as direct costs. Where a Federal agency has donated or furnished materials used in performing the project, such materials are used without charge. (OMB A-21, Sec. J. 31)

Postage and mailing: Cost of mailing CESU Network project-related material, such as reports, data, and survey questionnaires or follow-up mailings needed to conduct the project may be considered allowable direct cost. If the CESU partner agency authorizes or approves, costs for expedited mailing, and overnight shipping may be allowable as direct costs. (OMB A-21, Sec. J. 9)

Printing and duplicating: Special printing, duplicating, photocopy, page charges, reprints and production of bound manuals or reference materials, posters or public information brochures directly needed to conduct CESU Network projects may be considered allowable direct costs. (OMB A-21, Sec. J. 39)

Training: Cost of training employees, if needed specifically for the conduct of CESU projects, including tuition, stipend or scholarships, may be treated as direct cost. (OMB A-21, Sec. J. 51)

Travel: Travel cost directly and specifically required for the conduct of a CESU Network project may be charged as direct cost. Travel costs include expenses for transportation (air and ground), lodging, subsistence, and incidental expenses. Such cost may be directly charged on an actual cost basis, per diem or mileage basis, or a combination of the two. The method of

charges should apply to the entire trip and not selected days. Charges should be reasonable and in accordance with university and institution travel policy. (OMB A-21, Sec. J. 53)

Direct Costs Allowed under Certain Circumstances or with Restrictions under Cooperative Agreement Projects

The following are examples (adopted from OMB circulars) of costs that under certain circumstances or with restrictions may be considered as allowable direct costs to cooperative agreements, including CESU Network agreements.

Advisory councils or committees: Costs incurred by advisory councils or committees may be allowable as direct costs where authorized by the Federal awarding agency or as a percentage of the costs where allocable to other sponsored agreements administered by the institution. For example, a research steering committee that advises the university on priority research needs and conducts technical peer reviews of completed research, a determined portion of which falls directly under a CESU project, is allowable as direct costs. (OMB A-21, Sec. J. 2)

Audits: The cost of CESU project financial audits required or specifically approved by the CESU funding agency may be treated as direct cost. Detailed audit guidance is provided in OMB circulars A-102, A-110, A-21, A-122, and A-87.

Bonding or assurance: Bonding costs arise when the CESU Network partner agency requires assurance against financial loss to itself or others by reason of the act of default by the institution. They arise also in instances where the CESU Network partner institution requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds. The cost of bonding, required pursuant to the terms of the CESU Network agreement is allowable. Costs of bonding required by the institution in the general conduct of CESU Network operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances. (OMB A-21, Sec. J. 7)

Consulting Services: CESU project costs related to personal, professional and consultant services rendered by people who are members of a particular profession or possess a special skill, and who are not officers or employees of the institution, are allowable direct costs. (OMB A-21, Sec. J. 37)

There are three conditions that must be considered:

- The nature and scope of the service rendered is needed for the CESU Network project,
- The necessity of contracting for the service, considering the institution's capability in the particular area is lacking, and
- The consulting services are treated as a subcontract or sub-award under the CESU cooperative agreement. Sub awards are subject to the same regulations as the primary cooperative agreement.

Deans Salaries and expenses: The salaries and expenses of deans of faculty and graduate schools, or their equivalents, and their staffs, are allowable as described in OMB Circular A-21 (Section J.12). All or portions of these expenses may be allocated as direct cost to a particular CESU project if:

- The services are incurred solely to advance the work under the CESU agreement,
- The services benefit both the CESU agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; and
- It is necessary to the overall operation of the institution and, in light of the principles provided in OMB circular A-21, is deemed to be assignable in part to the CESU project. Other OMB Circulars do not address this cost as it only pertains to educational institutions.

Equipment: General duty or special purpose equipment and other capital expenditures are defined in OMB Circulars (A-21, Section J.18). These costs may be allowable direct costs under CESU Network projects if specifically needed to conduct the CESU Network project and approved by the partner agency.

Maintenance, repair and upkeep: Costs for maintenance, repair, and upkeep of buildings and equipment incurred under a specific CESU project, may be allowable as direct cost under certain situations. The cost should neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition. (OMB A-21, Sec. J. 30)

Meetings and conferences: Persons working in CESU projects may periodically attend or convene meetings or conferences to disseminate technical information about the project. The costs of attending or convening meetings or conferences are allowable as direct costs if approved by the agency and directly associated with CESU projects. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings. (OMB A-21, Sec. J. 32)

Memberships in business and professional organizations: Costs of a CESU Network institution's membership in business, and professional organizations are allowable if specifically needed and agreed-on in the CESU project agreement. Costs of the institution's subscriptions to business, professional, and technical periodicals specifically needed to conduct the CESU project are allowable. (OMB A-21, Sec. J. 33)

Publication: Page charges for professional journal publications are allowable as a necessary part of research costs where:

- The research article reports on work supported by the CESU project and is funded by the Federal Government, and
- The charges are levied impartially on all research papers published by the journal.

Publication costs include:

- The costs of printing,
- The composition of the document for publication,
- The plate-making,
- The press work,
- The binding, and
- The page charges in professional publications, and the end products produced by such processes.

The distribution, promotion, mailing, and general handling of specific CESU project material may be allowable as direct costs. If these costs are not identifiable with a particular CESU project, they should not be charged as direct costs. (OMB A-21, Sec. J. 39)

Patent applications: Filing and disclosure costs related to patents of new products resulting from CESU projects may be charged as allowable direct costs if specified in the CESU project or task agreement. (OMB A-21, Sec. J. 34) These costs may include:

- Cost of preparing disclosures, reports, and other documents required by the CESU Network project and searching of legal documents to make such disclosures,
- Cost of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Federal Government to be conveyed to the Federal Government; and
- Legal counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee agreements.

Security: Necessary and reasonable expenses incurred for the protection of facilities, physical plant, personnel, and work products specific to CESU projects are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; contractual security services; consultants or other costs necessary to conduct the CESU project. (OMB A-21, Sec. J. 35)

Rearrangement and alteration: Costs incurred for ordinary or normal rearrangement or alternation of the CESU Network institutions facilities necessary to conduct the CESU project, are allowable. This may be treated as direct cost with the prior approval of the CESU partner agency funding the project. (OMB A-21, Sec. J. 40)

Rent: Rental costs of equipment, buildings and office space specifically needed to conduct the CESU projects are allowable as direct costs to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Rental costs also must be agreed upon by the CESU Network agency funding the project. (OMB A-21, Sec. J. 43)

Royalties: Royalties and other costs for use of patents or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of a CESU Network agreement are allowable. Specific legal advice or detailed guidance should be sought if a CESU Network project needs to acquire goods or services under a royalty or patent protection. (OMB A-21, Sec. J. 44)

Scholarships, fellowships, and other student aid: Costs of scholarships, fellowships, and other programs of student aid are allowable only when the purpose of the CESU project or task agreement is to provide training to selected participants and the charge is approved by the sponsoring agency. (OMB A-21, Sec. J. 45) However, tuition remission and other forms of compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that:

- The individual is conducting activities necessary to the CESU Network project;
- Tuition remission and other support are provided in accordance with established educational institutional policy. Consistency must be maintained among CESU Network supported students and students who are involved in activities conducted outside of CESU Network projects;
- During the academic period, the student is enrolled in an advanced degree program at the institution or affiliated institution. The activities of the student in relation to the Federally-funded CESU Network project must be related to the students degree program;
- The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and
- It is the institution's practice to similarly compensate students in programs outside of the CESU Network.

Direct Costs that are Not Allowed under Cooperative Agreement Projects

The following is a list of costs that are not allowed under cooperative agreements, including CESU agreements:

Alcoholic beverages: Costs of alcoholic beverages are not allowed under cooperative agreements, including CESU projects. (OMB A-21, Sec. J. 3)

Alumni activities: Costs incurred by a CESU partner institution for, or in support of, alumni or alumnae activities and similar services are not allowed under CESU projects. (OMB A-21, Sec. J. 4)

Bad debts: Any financial losses, whether actual or estimated, arising from uncollectible accounts and other claims, associated with any CESU project or of the CESU Network partner institution, are not allowed. Related collection cost and legal fees also are not allowed under CESU projects. (OMB A-21, Sec. J. 6)

Civic or community organizations: Costs of CESU Network partner institution's membership in any civic or community organization are not allowed under CESU projects. Similarly, costs of membership in any country club, social or dining club, are not allowed under CESU projects. (OMB A-21, Sec. J. 33)

Commencement and convocation costs: Costs associated with commencements and convocations are not allowed under CESU projects. (OMB A-21, Sec. J. 8)

Contingency provisions: Contributions to a contingency reserve or any similar provision for events, the occurrence of which cannot be foretold with certainty as the time, intensity, or with an assurance of their happening, are not allowed under CESU projects. (OMB A-21, Sec. J. 11)

Donations and contributions: Direct financial donations, the value of donated services and property, regardless of the recipient, cannot be charged to CESU projects. (OMB Circular A-21, Section J.15)

Entertainment costs: Costs of entertainment, including amusement, diversion, and social activities or associated activities (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are not allowed under CESU projects. (OMB A-21, Sec. J. 17)

Fines and penalties: Costs resulting from violations of, or failure of the institution to comply with, Federal, State, local, tribal or foreign laws and regulations are not allowed under CESU projects. Exceptions may occur when costs are incurred as a result of compliance with specific provisions of the CESU Network agreement and/or task agreement. Written instructions are necessary from the authorized agent of the CESU Federal partner, authorizing such actions and allowing, in advance, such payments. (OMB A-21, Sec. J. 19)

Fundraising and investment management: Costs of CESU partner university or institutionally 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 not allowed under CESU projects. Costs of investment counsel, staff and similar expenses incurred solely to enhance income from investments are not allowed under cooperative agreements including CESU projects. (OMB A-21, Sec. J. 20)

Goods or services for personal use: Costs of goods or services intended for personal use outside of the CESU project are not allowed. (OMB A-21, Sec. J. 22)

Housing and personal living expenses: Costs of personal housing and living expenses for/of the institution's current or past officers and employees, are not allowed. Living expenses outside the scope of any CESU project (non travel related living expenses) are not allowed under CESU projects. Other costs that are not allowed under housing include; depreciation, maintenance, utilities, furnishings and rent of institution owned real property. For example, the cost of a university president's home, if provided by the university, may not be charged to CESU projects. (OMB A-21, Sec. J. 23)

Lobbying: Costs associated with political and executive lobbying are not allowed under cooperative agreements, including CESU projects. Please refer to the common rule published at 55 FR 6736 (2/26/90), and OMB's government wide guidance, amendments to OMB's government wide guidance, and OMB's clarification notices published at 54 FR 52306 (12/20/89), 61 FR 1412 (1/19/96), 55 FR 24540 (6/15/90) and 57 FR 1772 (1/15/92). OMB Circular A-21 Section J.28 described and defines lobbying.

Losses on other sponsored agreements or contracts: Any excess of costs over income under any other sponsored agreement or contract of any nature may not be charged to a CESU project. This includes, but is not limited to, the institution's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts under other related cost principles. (OMB A-21, Sec. J. 29)

Pre-agreement costs: Costs incurred prior to the effective date of a CESU agreement, regardless if they would have been allowable after that date, may not be charged to the CESU project, unless approved by the CESU Network partner agency. (OMB A-21, Sec. J. 36)

Student activity costs: Costs incurred for intramural activities, student publications, student clubs, and other student activities, are not allowed under CESU projects, unless approved by the CESU Network partner agency. (OMB A-21, Sec. J. 48)

Direct Allowable Costs Illustrated – 3 sample CESU Cooperative Agreement Projects

The three examples presented below, of hypothetical CESU projects and budgets, may help clarify direct allowable costs. These hypothetical examples illustrate the full range of potential direct allowable costs under CESU Network projects.

Example I: A Research Project

Project Title: Spatial and temporal analysis of Rhinoceros beetle distribution, predator abundance and relationships to cattle grazing

Project Description: This example illustrates a research project conducted by a university entomology department under a CESU Network project. The Federal agency funded the study because it was concerned about Rhinoceros beetle habitat modification due to cattle grazing. The Federal agency needs information to assess potential changes to Rhinoceros beetle populations and resulting impacts to the population of a key Rhinoceros beetle predator. The agency has a highly qualified entomologist who will make a significant contribution to the fieldwork and data analysis. The university will provide a principal investigator (PI), a graduate student and an undergraduate student (field technicians), laboratory facilities to process and store biological specimens, transportation, equipment and supplies, analysis and presentation of the results in public venues and scientific journals. The study will last for one year.

Sample sites are located in both local sites accessible by vehicle and remote wilderness areas accessible only by non-motorized means. Sampling of these remote sites will require extended overnight camping and pack animals to haul heavy gear and equipment to the sites. The following budget lists a hypothetical example of allowable direct costs proposed for this project. Dollar amounts are arbitrary estimates and included for demonstration purposes only. Applicable authorities from OMB Circular A-21 (where appropriate) are listed.

Description	Amount (\$)	Authority (OMB A-21 Section J)
Salaries and Fringe Benefits		
Principal investigator (PI) 10% of salary and 10% Fringe Benefits	10,000.00	J. 10 a.-g.
Research associate (100% graduate student scholarship which includes tuition for 1 year)	25,000.00	J. 45a. & b.
Field assistant (75% undergraduate student stipend)	11,250.00	Student aid under J. 45
Personal services – Contract computer programmer (Statistical Analysis System/GIS specialist)	10,000.00	J. 10
Personal/Professional services - Contract office/laboratory technician/assistant (100% time on contract basis)	24,000.00	J. 37
Materials, Equipment and Supplies		
Necessary and reasonable items from laboratory and office stockrooms. Items specifically needed by this project such as preservative chemicals, safety gear, jars, paper products, and disposable plastic wear.	2,500.00	J. 31
Laptop Computer with GPS cables	4,500.00	J. 31a. & d.
Global Positioning System (GPS)	2,000.00	J. 31a. & d.
Survey transect with protective box (Pelican)	1,500.00	J. 31a. & d.
Laser distance differential system	2,500.00	J. 31a. & d.

Digital scale with Pelican box	5,000.00	J. 31a. & d.
Specialized analysis software (SAS and GIS)	2,000.00	J. 31
Rhinoceros beetle traps	1,500.00	J. 31a. & d.
Mist nets (predatory bird capture system)	500.00	J. 31a. & d.
Sample jars with labels	250.00	J. 31
Expendable camping gear (remote sites)	4,000.00	J. 31
Travel and Transportation		
Travel (airfare and ground transportation) and per diem (meals and incidental expenses: M&IE)	3,500.00	J. 53. a. – d.
Overnight travel to remote sample sites (mileage and per diem based on overnight camping rate)	1,500.00	5U.S.C.570 **
Daily travel to local sites (mileage only)	2,700.00	5U.S.C.570 **
Travel (PI and graduate student), per diem and conference registration (Conference: Annual Rhinoceros Beetle Ecological Society-Poster session)	1,000.00	J. 53. a. – d.
Transportation (specialized)		
Project vehicle with livestock trailer	500.00	5U.S.C.570 **
Rental of horses and pack mules (charged at motorcycle rate)	300.00	5U.S.C.570 **
Insurance		
Insurance for equipment (example: GPS, survey transect, laser system, digital scale)	50.00	J. 15.
Communications		
GPS satellite connection subscription fee	250.00	J. 9
Cellular telephone service or VHF radio	250.00	J. 9
Printing and Publications		
Production of poster for presentation at the poster session during the 23rd Annual Rhinoceros Beetle Ecological Society Conference	200.00	J. 37 and J. 39
Photocopy services: Abstract for conference, copies of final report for public distribution, etc.	150.00	J. 39 (supplies/materials costs from store room)
Printing project posters/signs (Rhinoceros Beetle research – Please do not disturb)	500.00	J. 39 (supplies and materials costs from store room)
Total	\$117,400.00	

** 5USC570 – as cited in OMB A-21 J. 53

TITLE 5--GOVERNMENT ORGANIZATION AND EMPLOYEES

PART III--EMPLOYEES

Subpart D--Pay and Allowances

CHAPTER 57--TRAVEL, TRANSPORTATION, AND SUBSISTENCE

SUBCHAPTER I--TRAVEL AND SUBSISTENCE EXPENSES; MILEAGE ALLOWANCES

Sec. 5704. Mileage and related allowances

Example 2: A Technical Assistance Project

Project Title: Analysis of Public Comments on Proposed Campground Management Plan as published in the Federal Register

Project Description: The Federal agency charged with management of the campground has published a proposed change in policy to disallow mobile camping vehicles greater than 16 feet in length overall. This policy is the result of a dangerous curve at the campground entrance. It is an important issue because a large number of retired people use the campground during the winter months. Many of these people travel from other states in large motorized homes or pull camping trailers with their vehicles, often over 16 feet long. The campground hosts over 50,000 visitor days a year. This level of visitation and the potential impact on the economy of surrounding communities requires that the government solicit comments on its proposed management plan. An estimated 10,000 to 15,000 responses are anticipated. The agency needs to make the final management decision prior to the upcoming winter camping season (three months away). Staff from the agency will publish the public announcement, receive all paper and electronic comments, and make a substantial contribution in processing and analyzing these comments. The agency requires additional technical assistance in analyzing and reporting to the public the results of the comments. A CESU Network university has a state of the art social science laboratory that can provide this technical assistance. The Dean of the College of Social and Anthropological Sciences directs the laboratory and acts as principal investigator on all projects conducted by the laboratory. A CESU Network agreement to provide this technical assistance is created between the agency and the university. The following proposed hypothetical budget was presented to the agency:

Description	Amount (\$)	Authority (OMB A-21)
Salaries and Fringe Benefits		
PI / Dean and Director - College of Social Sciences (3 months @ 50% FTE)	25,000.00	J. 10. a.-g. or J. 12
Statistician (Non-parametric specialist from statistics department) 2 months @ 25% FTE	12,000.00	J. 10. a.-g.
5 research associates for 3 months @ 25% FTE	15,000.00	J. 10. a.-g.
Office automation technician - contract	5,000.00	J. 37
Data entry staff (contract – Local firm: Key Punch People, Inc.)	10,000.00	J. 37
Training costs: Interviewer training	1,500.00	J. 51
Materials and Supplies		
Supplies (extraordinary consumption of paper, photocopy and printer cartridges)	500.00	J. 31
Staff support (water bottles, safety equipment)	500.00	J. 12.a.2 and J. 14
Communications and Postage		
Additional land-based telephone lines needed to conduct random follow-up voice surveys	250.00	J. 9.
Postage (mailing follow-up questionnaires)	200.00	J. 9.
Total	\$69,950.00	

Example 3: An Education Project

Project Title: Groundfish Bycatch Mitigation in Marine Fisheries: A public Education Workshop

Project Description: The federal agency charged with management of groundfish stocks in marine waters is developing a program to mitigate the incidental catch and mortality of non-targeted species. The first step in this effort is to conduct a public meeting and education workshop to discuss this initiative among a diverse group of marine related interest organizations. The agency desires maximum constituent participation. This will be realized by extensive public outreach through the news media. Another desired outcome is the production of video products for public relations purposes. A document containing the proceedings also will be published.

A CESU Network agreement to conduct the project is established between the agency and a CESU Network partner university. The workshop will be convened and coordinated by a well know university with specialist in the fields of marine relations and coastal zone planning, fishing gear engineering, fisheries science, and political science. The university also has a well know cinematography department with state-of-the-art digital video editing suites.

Salaries and Fringe Benefits	Amount (\$)	Authority (OMB A-21)
Workshop coordinator-Sea Grant Fellow (100% for 4 months)	25,000.00	J. 10. a.-g.
Outreach coordinator- Marine Science Graduate student (50% for 6 months)	12,000.00	J. 10. a.-g.
Graphics artist – Art Department Graduate student stipend (1 academic semester)	10,000.00	J. 10. a.-g. or J. 45
Videographic services – Cinematography Department Graduate student stipend	10,000.00	J. 10. a.-g. or J. 45
Presenters/Technical panelists honoraria (5 @ \$200 each) (same as speakers fees)	1,000.00	J. 37 or J. 32
Workshop rapporteurs – 10-12 days including workshop and report drafting	1,200.00	J. 10 or J. 37
Travel, Transportation and Per Diem		
Travel (airfare and ground transportation), per diem (lodging, meals and incidental expenses)		
Workshop and Outreach Coordinators, video crew, and workshop rapporteurs	3,000.00	J. 53. a. – d. or 5U.S.C.570 **
Presenters/Technical Panelists	4,000.00	J. 53. a. – d. or 5U.S.C.570 **
Rental and Specialized Services and Facilities		
Conference hall/room rental only (University Conference Center)	1,000.00	J. 32
Refreshments (coffee, soft drinks, pastries, and finger sandwiches)	500.00	J. 32

Rental of audio and visual equipment including projectors, flip charts with marking pens and materials to post flip chart pages, easels, microphones and other sound equipment)	750.00	J. 32
Video editing suite (Cinematography Department)		
Hourly rental (40 hours @ \$100/hour)	4,000.00	J. 47
Video tapes	75.00	J. 31
Video labels (includes production, color laser printing and cost of labels)	25.00	J. 31
Publication of Workshop Proceedings and project final report	3,000.00	J. 39
Advertising and Outreach	2,000.00	J. 1
Total	\$77,550.00	

** 5USC570 – as cited in OMB A-21 J. 53

TITLE 5--GOVERNMENT ORGANIZATION AND EMPLOYEES
PART III--EMPLOYEES

Subpart D--Pay and Allowances

CHAPTER 57--TRAVEL, TRANSPORTATION, AND SUBSISTENCE

SUBCHAPTER I--TRAVEL AND SUBSISTENCE EXPENSES; MILEAGE ALLOWANCES

Sec. 5704. Mileage and related allowances

General Guidance on Allowable Direct Costs under Cooperative Agreements

The most important consideration when determining how to charge costs incurred during cooperative agreement projects, including CESU projects, is to follow the principles as presented in the OMB Circulars. The next most important consideration when costing CESU Network projects is to follow closely the established policy of the institution administering the funding. The following basic considerations and definitions on cost principles are repeated below to emphasize their importance:

- Allowable direct costs are costs that can be directly assigned to, or identified specifically with, a particular project funded by a CESU partner agency and conform to any limitations or exclusions set forth in generally accepted accounting principles or as university or institution policy mandates. Such costs, or a portion of costs, must be easily and with a high level of accuracy, assigned to the specific CESU project.
- Direct costs must be reasonable: costs may be considered reasonable if the price and the nature of the goods or services acquired or applied to the CESU project, reflect the action that a prudent person would have taken under the circumstances and market conditions, prevailing at the time the decision was made to incur that cost.
- Direct costs must be consistently treated: costs must be treated similarly to like circumstances under other institutional grants and cooperative agreements and be consistent with institutional policy guidelines.

Where to go for More Information on Allowable Direct Costs for Cooperative Agreements

There are several good sources of public information on cooperative agreement cost principles available on the Internet. Many colleges and universities provide on-line manuals for their staff to use while developing cooperative agreement proposals and budgets. These sites present their institutional policies governing budgets and expenditures from federal funding sources. The government provides online information including links to OMB Circulars and other regulatory documents. The following lists sources of additional guidance:

University and Institutional Grants and Cooperative Agreements Information Links

- University of Alaska-Anchorage-Grants and Cooperative Agreements Policy Manual
 - <http://www.uaa.alaska.edu/grants/policies.cfm>
- University of Arizona-Office of Sponsored Projects Services
 - <http://www.sps.arizona.edu/>
- University of California – Office of the President – Contract and Grant Manual Chapter 7. Budget and Expenditures
 - <http://www.ucop.edu/raohome/cgmanual/chap07.html#general>
- University of Houston – Office of Contracts and Grants
 - <http://www.research.uh.edu/OCG/ocgpage.html>
- University of Idaho – Grants and Contracts Office
 - http://www.baas.uidaho.edu/gac/gac_new.html-
- University of Illinois
 - <http://www.obfs.uillinois.edu/manual/Chicago/section6-4-1.html->
- University of Minnesota-Academic/Administrative Policy - Charging of Direct and Facilities and Administrative (Indirect) Costs
 - <http://www.fpd.finop.umn.edu/groups/ppd/documents/policy/Cost.cfm>
- University of Nebraska-Lincoln
 - <http://www.unl.edu/research/sp/sp.shtml>
- University of Nevada, Reno-Office of Sponsored Programs
 - <http://www.unr.edu/ospa/>
- University of Virginia
 - http://www.virginia.edu/finance/polproc/pol/Policies_toc.html
- Polytechnic University – New York – Grants and Contracts
 - http://www.poly.edu/cng/policy_pro-award_c.cfm

- Northern Arizona University
 - <http://www4.nau.edu/ovp/grants/>
- Texas A&M University
 - <http://vpr.tamu.edu/bgres.html#Research>

Government Grants and Cooperative Agreements Information Links

- Agricultural Research Service – USDA - Extramural Agreements Division
 - <http://www.afm.ars.usda.gov/ead/service.htm>
- Department of Defense - Grant and Agreement Regulatory System (DoDGARS)
 - <http://www.dtic.mil/whs/directives/corres/html/32106r.htm>
- Grants.gov – The government’s official source for information, news letters, documents, lists of current funding opportunities and other valuable resources on grants and cooperative agreements.
 - <http://www.grants.gov/Resources>
- OMB Guidance on circulars and links to the circular documents.
 - http://www.whitehouse.gov/omb/grants/grants_circulars.html

Conclusion

This section provides guidance to CESU Network partners on allowable direct costs that may be charged to CESU projects. The intent is to assist CESU Network partners in carrying out their missions in the most cost-effective manner.

This section is not an official Federal Government document. It should not be cited as the official authority. The Federal government provides cost principles to standardize accounting practices in cooperative agreements among similar types of organizations.

The guidance presented above is not intended to be a comprehensive presentation of legally allowable cost under the CESU network. It is important to consult the appropriate Federal regulations, as cited above, before making final accounting decisions. Understanding these cost principles when drafting or reviewing CESU project proposals will insure an improved and comprehensive budget. Finally, it is important to have detailed consultations among all partners during the planning, execution and closeout phases of CESU projects.

Appendix I. Partial listing of allowable costs specified in OMB Circulars A-87 (State, Local and Indian Tribal Governments), A-21 (Educational Institutions), and A-122 (Non-Profit Organizations) that may be of significant importance in administration of individual CESU agreements.

Allowable Cost	Description	Example	Exception	Authority
Advertising and public relations costs	Advertising and public relations costs for recruitment of required personnel cost of general liaison with news media or press pertaining specifically to sponsored agreement are allowed.	Charges of personnel recruitment services for hiring staff, communicate with the public and news media on issues pertaining to specific sponsored agreement, and related costs.	Costs of convocations or other events related to instruction or institutional activities. Cost of displays, demonstrations, or exhibits, meeting rooms, promotional items, memorabilia, gifts, or souvenirs.	A-21, Section J.1 (a-f) A-87, Attach. B (1) A-122, Attach. B (1)
Advisory councils	Costs incurred by advisory councils or committees are "Allowable" as a direct cost where authorized by the agency or as an indirect cost where allocable to sponsored agreements.	Research steering committees, advisory panels, or other associated bodies directly concerned with the sponsored action.		A-21 Sec. J.2 A-87, Attach. B (2) A-122, Attach. B (2)
Audit costs and related services	The costs of audits are allowable. This includes audits that are required by, and performed in accordance with the Single Audit Act, as implemented by Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations.	The cost of agreed-upon procedures to monitor sub recipients who are exempted from A-133 under section 200(d) are allowable, subject to the conditions listed in A-133, section 230 (b)(2).	Other audit costs are allowable if included in a cost allocation plan or indirect cost proposal, or if specifically approved by the awarding agency as a direct cost to an award.	A-87, Attach. B (4 a-c) A-21 Sec. J.5 (a-c) A-122, Attach. B (4 a-c) Also see 31 USC 7505(b) and section 230 ("Audit Costs") of Circular A-133.
Bonding costs	Costs of bonding required pursuant to the terms of the award are allowable. Costs of bonding required by the institution in the general conduct of its operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.	Bonding costs arise when the Federal Government requires assurance against financial loss to itself or others by reason of the act or default of the institution. They arise also in instances where the institution requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds.		A-21 Sec. J. 7. a-c A-87, Attach. B (6) A-122, Attach. B (6)
Communications	Costs incurred for telephone services, local and long distance calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.	Land-based or cellular telephones, courier & shipping services, postage and handling deemed necessary for the conduct of the sponsored action.		A-87, A-21 Sec. J.9. A-122 Attach. B. 7.

Appendix I. (continued)

Allowable Cost	Description	Example	Exception	Authority
Compensation for personal services – sabbatical leave costs	Costs of leave of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the institution has a uniform policy on sabbatical leave for persons engaged in instruction and persons engaged in research. Such costs will be allocated on an equitable basis among all related activities of the institution.	Where sabbatical leave is included in fringe benefits for which a cost is determined for assessment as a direct charge, the aggregate amount of such assessments applicable to all work of the institution during the base period must be reasonable in relation to its sabbatical leave policy.		A-21 Sec. J. 10 f. (4. a-b) Not addressed in other circulars
Compensation for personal services – severance pay	Severance pay is payment in addition to regular salaries and wages made to workers whose employment was terminated. Severance pay is allowable to the extent that, in each case, they are required by (a) law, (b) employer-employee agreement, or (c) established written policy. Severance payments (but not accruals) associated with normal turnover are allowable.	Severance payments that are due to normal recurring turnover and which otherwise meet the conditions of subsection (I) may be allowed provided the actual costs of such severance payments are regarded as expenses applicable to the current fiscal year and are equitably distributed among the institution's activities during that period.	Costs incurred in excess of the institution's normal severance pay policies applicable to all persons employed by the institution upon termination of employment are unallowable. Severance payments that are due to abnormal or mass terminations are of such conjectural nature that allowability must be determined on a case-by-case basis.	A-21 Sec. J. 10. h. (1-4) A-87 Attach. B. 8. g. 1-3 A-122 Attach. B. 8. k. 1-2
Deans of faculty and graduate schools	The salaries and expenses of deans of faculty and graduate schools, or their equivalents, and their staffs, are allowable.	Federal agencies may authorize reimbursement of additional costs for department heads and faculty only in exceptional cases where an institution can demonstrate undue hardship or detriment to project performance.	The salaries of administrative and clerical staff should normally be treated as F&A costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. "Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments.	A-21 Sec. F. 6., & J.12 Not addressed in other OMB circulars.
Employee morale, health, and welfare costs	The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the governmental unit's established practice or custom for the improvement of working conditions are allowable.	On-site first aid stations or health infirmaries, programs promoting employer-employee relations, improving employee morale and performance are allowable.	Such costs will be equitably apportioned to all activities of the governmental unit (A-87). Income generated from any of these activities will be offset against expenses. Under A-122, losses resulting from operating food services are only if the institution's objective is to operate such services on a break-even basis.	A-87 Attach. B. 13. A-122 Attach. B. 13. a-c. A-21 Sec. J.16

Appendix I. (continued)

Allowable Cost	Description	Example	Exception	Authority
<p>Equipment and other capital expenditures</p> <p>Note: See A-87 Attach. B. 15. a. (1-4), A-21 Sec. J.18. a. (1-4) and A-122 Attach. B. 11. a. (1-4) for definitions of equipment and other capital expenditures.</p>	<p>Capital expenditures for special purpose equipment are allowable as direct costs, provided that the items with a unit cost of \$5000 or more have the prior approval of the awarding agency. When approved, as a direct charge pursuant to appropriate sections of OMB circulars, and capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the awarding agency. In addition, Federal awarding agencies are authorized (at their option) to waive or delegate the prior approval requirement.</p>		<p>General-purpose capital expenditures for equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency. Capital expenditures for improvements to land, buildings, or equipment (which materially increase their value or useful life) are unallowable as a direct cost except with the prior approval of the awarding agency.</p>	<p>A-87 Attach. B, 15. A-122 Attach. B. 15 A-21 Sec. J.18</p>
<p>Insurance and indemnification</p>	<p>Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable. Costs of other insurance in connection with the general conduct of activities are allowable. They are however subject to the following limitations: (1) Types and extent and cost of coverage are in accordance with the governmental unit's policy and sound business practice. (2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable except to the extent that the awarding agency has specifically required or approved such costs.</p>		<p>Actual losses, which could have been covered by permissible insurance (through a self-insurance program or otherwise), are unallowable, unless expressly provided for in the Federal award or as described below. However, the Federal Government will participate in actual losses of a self-insurance fund that are in excess of reserves. Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.</p>	<p>A-87 Attach. B, 22. A-21 Sec. J.25 A-122 Attach. B. 22.</p>
<p>Meetings and conferences</p>	<p>Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. But see Attachment B, section 14, Entertainment costs.</p>	<p>Attendance at annual scientific society meetings, conferences and symposia.</p>	<p>From paragraph 14: Entertainment costs. Costs of entertainment including amusement, social activities, and any costs directly associated with such expenditures (such as tickets to shows or sports events, transportation to such events, and gratuities) are unallowable.</p>	<p>A-87 Attach. B, 27. A-21. Sec. J.32 A-122 Attach. B. 29. A-122 Attach. B. 32.</p>

Appendix I. (continued)

Allowable Cost	Description	Example	Exception	Authority
Publication and printing costs.	Publication costs include the costs of printing (including the processes of composition, plate-making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional publications.	Page charges for professional journal publications are allowable as a necessary part of research costs where: (1) The research papers report work supported by the Federal Government: and (2) The charges are levied impartially on all research papers published by the journal, whether or not by federally sponsored authors.	If any printing costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the institution.	A-21 Sec. J.39. a. – c. A-122 Attach. B. 38. a. – c. A-87 Attach. B. 34. a. – c.
Memberships, subscriptions and professional activity costs.	Costs of the institution's membership in business, technical, and professional organizations are allowable. Costs of the institution's subscriptions to business, professional, and technical periodicals are allowable.		Costs of membership in any civic or community organization are unallowable. Costs of membership in any country club or social or dining club or organization are unallowable.	A-21 Sec. J.33. a. – d. A-87 Attach. B. 28. a. – c. A-122 Attach. B. 30. a. – c.