

University of Central Florida Guidance & Directive	
Guidance & Directive No: ORC-05	Date of Adoption/Revision: September 2006

Subject	CAS Major Project Exemptions
Authority	OMB Circular A-21; 48 CFR 99
Applicability	Administration of Sponsored Projects

1.0 Statement and Purpose

The Federal Office of Management and Budget Circular A-21, Cost Principals for Educational Institutions (OMB A-21), Section F.6.b. provides that salary and non-salary departmental administrative expenses should normally be treated as Facilities and Administrative (F&A) costs recoverable through the University's F&A rate. The direct charging of administrative or clerical staff salaries, or non-salary administrative expenses may be permitted if a project meets the definition of a "major" project as defined in OMB A-21, Exhibit C. In these instances, the Principal Investigator (PI) may request from the Office of Research and Commercialization (ORC) a "CAS Major Project Exemption" (CAS Exemption). A completed CAS Exemption form is required to substantiate the direct charging of departmental administrative costs associated with an identified project. Lack of proper documentation to substantiate CAS Exemptions could result in questioned costs during an audit.

2.0 General Information

2.1 Four CAS standards apply to the University as follows:

2.1.1 CAS 501: Consistency in Estimating, Accumulating and Reporting Costs

2.1.2 CAS 502: Consistency in Allocating Costs Incurred for the Same Purpose

2.1.3 CAS 505: Accounting for Unallowable Costs

2.1.4 CAS 506: Cost Accounting Period

2.2 CAS 501 requires that costs must be treated consistently in how they are proposed to the sponsoring agency, treated in the University's accounting system and reported to the government.

2.3 CAS 502 requires that each type of cost is allocated only once as either direct or indirect and only as one basis to any sponsored program or other cost objective. Adherence to this cost accounting approach helps to guard against the overcharging of some cost objectives and to prevent double counting. Double counting may occur when a cost item is allocated directly to a cost objective without eliminating like cost items from indirect cost pools which are also allocated

to the same cost objective.

- 2.4 CAS 505 requires any costs expressly unallowable or mutually agreed to be unallowable, including costs associated costs, shall be identified and excluded from any billing, claim, or proposal applicable to a Government contract.
- 2.5 CAS 506 provides criteria for the selection of the time periods to be used as cost accounting periods for contract cost estimating, accumulating, and reporting. The intent of this standard is to reduce the effects of variations in the flow of costs within each cost accounting period, provide consistency, uniformity and comparability in contract cost measurements.
- 2.6 When CAS was implemented, greater emphasis was placed on the proper treatment of clerical/administrative salaries, office supplies, postage, local telephone costs, subscriptions and memberships. These types of costs are presumed to be typically classified as F&A costs and thus should not generally be direct charged to sponsored projects. When this standard was implemented, most universities worked with their cognizant agencies to define acceptable exceptions. See Exhibit C of OMB A-21 for representative examples. Although the exceptions are not comprehensive, they provide a definition of "major project" where direct charging of clerical/administrative costs may be appropriate.
- 2.7 Questions or requests for clarification on the application and use of CAS Exemptions during the proposal stage should be addressed to the assigned Proposal Administrator for the College or Center.
- 2.8 Questions or requests for clarification on the application and use of CAS Exemptions post award should be addressed to the assigned Contract Manager.

3.0 Definitions

- 3.1 **Direct Costs** – Costs which are specifically associated and identified to a particular project, program or activity.
- 3.2 **F&A Costs** – Costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. F&A costs are synonymous with "indirect" costs.
- 3.3 **PI** – Principal Investigator on a grant, contract or cooperative agreement. This person bears the primary responsibility for costs charged to that agreement.
- 3.4 **Major Project** – As defined in OMB A-21, Exhibit C, major projects may consist of the following:
 - 3.4.1 Large, complex programs such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
 - 3.4.2 Projects which involve extensive data accumulation, analysis and entry,

surveying, tabulation, cataloging, searching literature, and reporting (such as epidemiological studies, clinical trials, and retrospective clinical records).

- 3.4.3** Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
 - 3.4.4** Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).
 - 3.4.5** Projects that are geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research field sites that are remote from campus.
 - 3.4.6** Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications.
- 3.5 Administrative and Clerical Personnel** – May include secretarial staff, receptionists, accountants, bookkeepers, and other administrators.
- 3.6 Non-Salary Administrative Expenses** – May include office supplies, postage, local telephone costs, data processing/computer supplies, general purpose software and membership dues.

4.0 Duties and Responsibilities

- 4.1 Principal Investigator** – Ensure that costs charged to a sponsored project meet the requirements of reasonableness, allowability, and allocability as described in OMB A-21, and that any such costs are properly documented. Ensure time and effort reports are maintained to substantiate direct salaries or other personal services charged to a sponsored project (see Effort Reporting guidance). Complete all required information on the CAS Exemption Form and submit the form to ORC at the time of proposal submission for review and approval. Ensure compliance with this guidance and the University's policies and procedures related to CAS Exemptions.
- 4.2 Department Chair** – Establish effective processes and controls that will ensure compliance with this guidance and the University's policies and procedures related to CAS Exemptions. Assign an individual to function as a point of contact between the Department and ORC.
- 4.3 Dean** – Provide general oversight and problem resolution. Ensure compliance with this guidance and the University's policies and procedures related to CAS Exemptions.
- 4.4 Office of Research & Commercialization** – Process and approve submitted CAS Exemption Forms within 2 business days of receipt from the Department. Maintain, modify and implement CAS Exemption guidance and procedures. Assist with development of education and training programs for employees involved in the CAS Exemption process. Monitor compliance with this guidance and the

University's policies and procedures related to CAS Exemptions, and report findings to the associated Departments. Report questionable practices and recurring problems to the Dean, Department Chair, Vice President for Research, Provost and Vice President of Academic Affairs, and University President.

4.5 Vice President for Research - Oversee the formulation of UCF's CAS Exemption Policy.

5.0 Procedures

- 5.1** When a PI identifies salaries of administrative and clerical personnel and/or non-salary administrative costs associated with a project meet the criteria set forth below, he or she should apply for a CAS Exemption through ORC.
- 5.2** Criteria established for direct charging administrative and clerical salaries is appropriate only under the following exceptional circumstances:
- 5.2.1** Administrative or clerical personnel are performing activities that support one or more of the activities or projects that are considered "major projects". Major project examples are described in Section 3.4. This would include projects requiring dedicated or unusual amounts of administrative support that exceed the routine level of such services provided by an academic department.
 - 5.2.2** Administrative or clerical personnel whose salaries are proposed for direct charging must be specifically identified in the project's budget by position and, if possible, by name. If the position title does not clearly indicate the administrative nature of the person's duties, the proposal should do so in a note to the proposal budget.
 - 5.2.3** The amount of administrative and clerical salaries to be direct charged should be clearly stated in the proposal budget.
 - 5.2.4** The sponsor must not specifically disapprove the proposed costs in the Notice of Award or otherwise.
 - 5.2.5** Appropriate time records must be maintained to allocate the salaries of all administrative or clerical personnel supporting multiple projects.
- 5.3** The following established criteria must be met for direct charging non-salary administrative expenses:
- 5.3.1** The project has a special non-routine use for the item or service.
 - 5.3.2** The cost can be specifically identified with a particular sponsored project or can be assigned to a particular sponsored project with a high degree of accuracy, and directly benefits the sponsored project.
 - 5.3.3** Each expense to be direct charged is explicitly set forth in the budget as a line item in the project proposal budget. For example, if a project proposes to direct charge both postage and local telephone costs, the budget must contain a specific line item for each cost.
 - 5.3.4** The sponsor must not specifically disapprove the proposed costs in the

Notice of Award or otherwise.

- 5.4 CAS Exemptions do not apply to contracts and grants that prohibit the charging of F&A costs or when a firm fixed-price agreement is awarded without submission of any cost data to the Federal agency.
- 5.5 PI's should complete a CAS Exemption Form and submit the forms to the Department Chair and Dean for their review and approval. Completed forms should then be submitted to ORC for review and approval at the time they submit the proposal.
- 5.6 CAS Exemptions submitted to ORC after proposal submission (or post award) require sponsor approval and must also be approved by ORC prior to the assignment of administrative or clerical personnel and/or charging administrative costs and supplies to the project.
- 5.7 ORC is responsible for reviewing, retaining and monitoring the timely submission of University CAS Exemptions to ensure compliance with Federal guidelines and the provisions of grant agreements.

6.0 Records Retention

Financial records, supporting documents, statistical records, and all other records for all Federal and State sponsored projects must be retained for at least three (3) years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report. Additional record retention requirements must conform to the award and/or policy of the specific sponsoring agency. Where documentation cannot be provided as to the allowability, allocability and reasonableness of any project expense, including but not limited to expenses incurred late in the project period, the sponsor may deny them. In this case, the PI, Department or College will be expected to cover the expense from unrestricted sources.

Refer to 45 CFR 74.53 and CFR 92.42 for further guidance on records retention requirements.

CAS Major Project Exemptions (Direct Cost Charging) Compliance Reference

1. Risk Identified:

The University has an outstanding audit finding related to the use of CAS (Cost Accounting Standards) exemptions, including the number of grants that utilized CAS exemptions. Specifically, the audit finding states that while A-21 allows the opportunity of charging indirect items as direct costs in unlike circumstances, the institution may be misinterpreting the intent of the cost principles when applying the criteria for unlike circumstances.

Strategy to Mitigate Risk:

ORC has recently developed a CAS Exemption Form, which requires approval by ORC in determining the allowability of the requested exemption. UCF should continue this newly implemented procedure to identify and quantify the number of grants using CAS exemptions in order to determine that unlike circumstances are determinable and evident. Grants utilizing CAS exemptions should be maintained for tracking.

Guidance Addressing Risk:

- *From Direct Cost Charging guidance:* "The direct charging of administrative or clerical staff salaries, or non-salary administrative expenses may be permitted if a project meets the definition of a "major" project as defined in OMB A-21, Exhibit C. In these instances, the PI can submit a CAS Major Project Exemption form to ORC for review and approval. See CAS Exemptions guidance for further details."
- *From CAS Exemptions guidance:* "When a PI identifies salaries of administrative and clerical personnel and/or non-salary administrative costs associated with a project meet the criteria set forth below, he or she should apply for a CAS Exemption through ORC."
- *From CAS Exemptions guidance:* "PI's should complete a CAS Exemption Form and submit the forms to the Department Chair and Dean for their review and approval. Completed forms should then be submitted to ORC for review and approval at the time they submit the proposal."
- *From CAS Exemptions guidance:* "CAS Exemptions submitted to ORC after proposal submission (or post award) require sponsor approval and must also be approved by ORC prior to the assignment of administrative or clerical personnel and/or charging administrative costs and supplies to the project."

Control(s) Mitigating Risk:

- *Preventative:* Pre-approval of CAS exemptions by ORC.