

Uniform Guidance Cost Principles Reference Guide

The Uniform Guidance issued by the White House Office of Management and Budget includes revised cost principles for federal awards made on or after December 26, 2014. This Cost Principles Reference Guide highlights select items of cost that should be considered in the budget preparation process and post-award management, in accordance with the Uniform Guidance. **Grant applications that will be awarded after 12/26/14 should be developed in accordance with the Uniform Guidance.**

Overview of Cost Principles

“Direct costs” are those costs that can be identified specifically with a particular sponsored project or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. In contrast, “indirect costs,” or facilities and administrative (F&A) costs, are those, such as building operations and maintenance, administrative personnel and systems, and other similar costs, which benefit many activities. *Costs incurred for the same purpose in like circumstances must be treated consistently, as either direct or indirect costs.* See 2 C.F.R. §§ [200.403](#), [405](#) and [413](#).

Costs requiring prior approval must specifically be requested in the proposal budget or in writing before the proposed change. For the full list of costs requiring pre-approval go to [Code of Federal Regulations – Title 2 Section 200.407](#). Contact your [OSP Grants and Contract Analyst](#) to submit a change request.

Documentation is required to justify all sponsored programs expenses. Key elements are:

- Benefit to the sponsored program.
- Compliance with award restrictions and approval requirements.
- If needed, qualification as “*unlike circumstance*”

For any cost to be allowable under a federal award, it must:

- 1. Be necessary and reasonable for the performance of the award and allocable thereto;*
- 2. Conform to any limitations or exclusions set forth in applicable regulations or in the award itself;*
- 3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other UMCP activities; and*
- 4. Be accorded consistent treatment.*

Selected Items of Cost

Item No.	Description	Directly chargeable to a federal project?	Prior agency written approval required?
1.	Administrative and Clerical Salaries and Costs (200.413/200.430)	Yes, provided that they are integral to the project, specifically identified, explicitly included in budget or receive prior written approval and are not included as an indirect cost.	Yes, must either be specifically included in the approved proposal budget or have prior written approval from funding agency.
2.	Computing Devices (200.20/200.453)	Yes, provided they are essential and allocable to the project. (A change under UG is that they do not have to be solely allocable to the grant program.) See Reference Guide, Page 3, #2 for additional information.	No, but an explanation of how the computing device is essential and allocable to proposed program must be included in budget narrative.
3.	Fixed Amount Subawards (200.201/200.332)	<p>Yes, fixed amount awards may be issued up to Simplified Acquisition Threshold (\$150,000) when the following apply: 1) specific project scope if cost info is available to establish a reasonable estimate; 2) payments are based on meeting milestones; 3) accountability is based on performance or results.</p> <p>Sub-awardee must certify that the project was completed or level of effort expended at the end. Mandatory cost sharing or matching is not included.</p>	Yes.
4.	Goods or Services for Personal Use (200.445)	No, unless housing – including utilities and furniture, housing allowance and personal living expenses are essential and allocable to the program.	Yes. Housing expenses, including utilities and furniture, house allowance must be approved in advance. The budget justification must include why they are essential and allocable to the project.

5.	Participant Support Costs (200.75/200.456)	<p>Yes. Participant Support Costs are items such as stipends or subsistence allowances, travel allowances, registration fees, participant tuition, activity insurance costs, etc. paid either to or on behalf of program participants, but not employees, in connection with conferences or training. Participant Support Costs are excluded when determining the indirect cost base.</p> <p>Participants are non-employees actively involved or attending an Extension workshop, event, seminar or training for educational purposes. All Division of Agriculture and UAF faculty and staff are considered employees for this purpose.</p>	Yes. The total number of participants should be shown. The SF 424 will only allow a number up to 999 to be entered. If a greater number of participants than 999 are anticipated during the budget periods shown, an explanation should be included in the budget narrative as well as the total number.
6.	Publication and Printing (200.461)	Yes. Costs of publication or sharing of research results incurred within the award performance period is allowable. Additionally, these costs incurred after performance period but prior to project closeout (within 30-60 days) are also allowable.	No. As long of the publication costs are identifiable with a particular project cost objective.
7.	Rearrangement and Reconversion Costs (200.462)	Yes. Costs for special arrangements and alterations of facilities are allowable as long as they are included in the approved budget or authorized by prior written approval by awarding agency. Costs incurred for ordinary and normal rearrangement and alteration of facilities are included in the indirect cost pool.	Yes. Budget justification must explain the specific direct benefit to the project. Cost must be essential to project objectives.
8.	Taxes (including VAT) (200.470)	Yes, With the exception of tax exemptions for special assessments on land & federal income tax.	No.

9.	Visa (short-term) (200.463)	Yes, When critical and necessary for project purpose.	No.
10.	Exchange Rates (200.440)	Yes. Cost related to fluctuations in exchange rates are allowable to the extent funding is available.	No. Unless the currency fluctuation is significant enough to require a change in project scope.
11.	Entertainment (200.438)	No. Entertainment costs are generally unallowable as direct cost to federal awards. In unusual cases when the cost is specific & has a programmatic purpose, these costs must be authorized in approved budget or receive prior written approval from awarding agency.	Yes. Cost must be specific & have a programmatic purpose. Budget justification required to explain specific programmatic purpose.
12.	Travel a. Domestic b. Foreign (200.474)	Yes, travel costs are allowable. All travel expenses must be reasonable and comply with Division Travel Policy and CES Travel Policy and Procedures including the Fly America Act.	No, travel costs do not require written approval from the agency, but the costs must be specifically included in the approved proposal budget and justified in the budget narrative if under the Fly America Act. In addition, there must be documentation retained by the PI that justifies why the travel by the individual is necessary to the federal award and how the project benefits from the travel.

<p>13.</p>	<p>Communications a. Phones b. Postage c. Data (Appendix II)</p>	<p>No, routine communications expenses are not allowable as direct costs but are generally included in the indirect cost calculations and treated as indirect costs. Exceptions may be made for communication expenses that can be linked directly to a specific sponsored project and are used primarily for the sponsored project. Local phone service is normally included in indirect costs while long-distance service, phone banks, hot lines and 1-800 numbers can be direct charged to grant programs.</p> <p>Cell phones are normally not direct charged to sponsored projects when they are used for routine business. However, they can be direct charged, with sponsor approval, when they are needed to maintain contact at remote sites for safety or logistical reasons. Smart phones are considered cell phones rather than computing devices.</p> <p>While general office postage cannot be direct charged to a sponsored program when used for routine business, postage to program participants or the sponsor can be direct charged with funding agency approval. If the project requires shipping of materials between locations as part of the program's scope of work, such shipping would be allowable. The key is the linkage between the need for the postage and the specific project.</p>	<p>Yes, non-routine communications expenses must be specifically included and fully justified in the approved proposal budget and have prior written approval from funding agency. If the expenses are required for a project and can be linked directly to that specific project, the costs (with approval) may be charged as a direct expense.</p> <p>Cell phones and/or phone lines must be clearly identified and justified as to their need and why they are "unlike" phones used for general business in the proposal budget submitted and approved by the sponsor for them to be considered allowable.</p>
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14.	Consulting Service (200.459)	Yes, costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill set, and who are not employees of the University of Arkansas Division of Agriculture, may be allowable if all conditions of §200.459 are satisfied. Costs for consultants must comply with any agency salary caps applicable to the grant. (For 2016, NIFA's salary cap is \$160,300 while NIH's cap is \$185,100).	Yes, must either be specifically included in the approved proposal budget or have prior written approval from funding agency.
15.	Sub-contracts (200.92; 200.330; 200.331)	Yes, because sub-contracts are integral and directly assignable to a specific project.	Yes. Prior approval is generally required either via inclusion in the proposal or after award. Fixed price subawards on Federal projects always require prior approval. (See #3 for additional information on fixed price subawards.)
16.	Equipment (200.33; 200.439)	No. Capital expenditures (\$5,000 or more) for general purpose equipment are unallowable as direct charges except with prior written approval of the Federal awarding agency or pass-through entity.	Yes. Special purpose equipment is allowable provided items with a unit cost of \$5,000 or more have prior written approval of the Federal awarding agency or pass-through entity.
17.	Office Supplies	<p>No. General office supplies are normally not allowable as a direct charge to a Federal award. General office supplies such as pens, pencils, staples, calendars, paper punches, post-it notes, printers, paper, and stationery are usually considered indirect costs.</p> <p>However, where the office supplies are not general and are necessary for and actually used for the performance of a specific Federal award, e.g.</p>	<p>Yes. For office supplies to be charged as direct costs, they must either be specifically included in the approved proposal budget or have prior written approval from funding agency.</p> <p>Since many items of office supplies can be used for both general office purposes and for sponsored program specific uses, it is important that these items be specifically included in the budget and budget justification with the relationship of the items</p>

		special notebooks for laboratory use, supplies for poster or other presentations to disseminate scientific results, specialized supplies for recording data or calibrating equipment, then such costs can be considered direct.	and their relevance to the program methods and scope of work clearly stated.
18.	Procurement a. P-cards b. Classification Thresholds (200.317-200.323/200.326)	<p>Yes, all procurement activity must be reasonable and comply with Division Policy and UACES Policy and Procedures related to purchasing and P-cards.</p> <p>Important notice: As allowed under the Federal Register Notices dated December 19, 2014 and September 10, 2015, CES has elected to delay implementation of the procurement standards outlined in 2 CFR 200.317 through 200.326 and will continue to comply with the procurement standards outlined in OMB Circular A-110 for Awards subject to the Uniform Guidance until July 1, 2017.</p>	
19.	Rental Costs a. Property b. Equipment (200.456)	Yes, rental costs are allowable to the extent that the rates are reasonable and in circumstances where renting is the most cost effective option as compared to purchasing.	No, but the budget justification should include why the rentals are necessary. The State of Arkansas requires all property rentals and leases be approved by the Arkansas Building Authority (including storage units). All rental arrangements should be reviewed periodically by the PI to determine if circumstances have changed and other options are available.

20.	Salary and Wages (200.430)	Yes. Salaries of faculty, program associates, program technicians, research assistants, postdoctoral associates, or other programmatic personnel who are necessary to meet the goals of the project are allowable.	Yes. They must be specifically included in the approved proposal budget. However, for salaries and wages other than those indicated here to be charged as direct costs, they must have prior written approval from funding agency.
21.	Fringe Benefits (200.431)	Yes. Fringe Benefits are a direct cost charged as a percentage of salary when related salaries are a direct cost. However, they are considered indirect costs when related salaries are an indirect cost.	Yes. They must be specifically included in the approved proposal budget.
22.	Meeting Costs (200.432)	Yes, if the primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award. The conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.	Yes, must either be specifically included in the approved proposal budget or have prior written approval from funding agency.
23.	Facilities and Administration (F&A)/Indirect Costs (IDC) (200.414; Appendix III to Part 200)	No, indirect (F&A) costs are those costs incurred for a common or joint purpose benefitting more than one project and are not easily assignable to specific projects. Costs are normally calculated based on "Modified Total Direct Costs" (MTDC).	Indirect cost calculations are based on negotiated percentages of MTDC or limits designated by project sponsor. All grant proposal budgets should include the recovery of applicable indirect costs.
24.	Unallowable	See item 24 below for a list of items that cannot be charged as direct costs.	Yes. An item generally considered "unallowable" must either be specifically included in the approved proposal budget or have prior written approval from the funding agency.

25.	Unacceptable Practices	See item 25 below for a list of unacceptable direct charging practices.	Yes. A practice generally considered "unacceptable" is permissible only with prior written approval from the funding agency.
26.	Dependent Care Costs (200.474)	No. Although dependent care costs are allowable under UG if certain conditions are met, they are not allowable under Cooperative Extension Service policies as all dependent care costs must be treated consistently.	
27.	Memberships (200.454)	<p>Maybe. Membership in any civic or community organization is allowable with prior approval by the awarding federal agency.</p> <p>Membership in scientific or professional organizations are normally not allowable on a sponsored program. However there are exceptions in certain cases. When a particular journal or other scientific publication that is a benefit of membership and not available to non-members is needed for the project or directly related to it, the membership is allowable. When attendance at a meeting is significantly cheaper (greater savings than the cost of the membership) and conference attendance is directly related to the sponsored project. A third situation would be when membership is required to attend a conference which is part of the sponsored program.</p>	Yes. A specific line item should be included in the proposal budget as well as a justification showing a relationship of the membership with the project objectives in the budget narrative approved by the federal agency.

28.	Moving Expenses	Included in Relocation Cost explanation below. Consider if the work will directly benefit the objectives of the grant award, the reimbursement is in line with Extension policies and the reimbursement does not exceed the employee's actual expenses.	
29.	Relocation Charges (200.464)	Yes. Provided they meet certain criteria explain in item 29 below. If the relocation costs were in connection with new employee recruitment and the individual resigns for reasons within their control within 12 months of their hiring date, the federal government must have their share of the costs refunded. Moving/relocation expenses must also comply with Extension policies.	
30.	Termination Payouts (200.431 (b)(3)(i)(e)(3))	Yes. Provided certain criteria are met. Such leave is allocated based on when the leave was accrued.	

1. **Administrative and Clerical Salaries and Costs.** Normally Administrative and Clerical Salaries are considered to be indirect costs and are not direct charged to projects. However, they can become appropriate to be direct charged when they meet all of the following four conditions:
 - a. ...are integral to the project
 - b. The individuals can be specifically identified with the project or activity.
 - c. The costs are included explicitly in the budget or receive prior written approval from the funding organization.
 - d. The costs are **not also recovered** as indirect costs.

One of the key factors is determining if the costs are eligible is if the people in question are **integral** to the **performance of the project** as opposed to the operation of the University of Arkansas System Division of Agriculture Cooperative Extension Service. It is a case of grant program versus total organization. These individuals are not ones who are solely involved in general program oversight or employee evaluation. They specifically support and are essential to achieving the goals and objectives of the sponsored program. They are vital or fundamental to the success of the program. This activity is substantially greater than what was normally devoted to programs or different in purpose so is **unlike** all other like salaries included in the indirect cost pool.

Principal Investigators need to include in their budget narratives a justification of why these people are essential to the success of the project and the roles that they will be playing that are fundamental to the project or activity. Some institutions are requiring a high threshold of administrative or clerical time, such as a minimum of 15-20%, be dedicated to the project for their role to truly be integral.

Administrative and Clerical salaries included in the grant proposal budget must have the role of these individuals justified in the budget narrative. Things such as a description of the person's role on the program designed to fit the sponsor specific requirements and the activity, why this role is integral to the proposed program, how the person relates to and benefits the project, the specific percentage of effort that the person will be devoting to the project should be included in the justification with the following sentence immediately afterwards: **We are therefore requesting agency approval for the (list percentage of an FTE (full-time equivalent) and the position title) as an administrative cost which is allowable under 2 CFR 200.413.**

2. **Computing Devices.** Computing devices costing less than \$5,000 are considered a supply item. They can be charged as a direct cost to a sponsored program, provided that they are **essential and allocable to the award**. These devices can, but do not have to be, solely dedicated to the performance of the sponsored program. For computing devices to be eligible to be direct charged on a sponsored program, the program must not have reasonable access to other such items that will achieve the same purpose or that are available for the program. They cannot be purchased solely for convenience and personal preference. They are above and beyond what is normally provided by the organization for professional's use. A detailed budget justification including how these devices are essential and allocable (provide benefit) should be included in the budget narrative. Computing devices are considered to have an initial purchase price of less than \$5,000 and are used to create, acquire, store, analyze and/or publish data and other information electronically. The \$5,000 amount includes any peripherals, such as printers, that are used with the machine and purchased at the same time.
3. **Fixed Amount Subawards.** Uniform Guidance allows fixed amount subawards up to the simplified acquisition threshold (\$150,000) to be used with prior written approval from the funding agency provided the following conditions are met.
 - a. Award amount is negotiated using the cost principles as a guide. If the project scope is specific and through historic or unit price information, a reasonable estimate of costs can be established.
 - b. A **fixed amount subaward cannot be used when mandatory matching or cost sharing** is required.
 - c. That the recipient must **certify in writing** at the end of the program that the **work was completed** or that the level of effort was spent.
 - d. Prior written approval from be received for a change of Principal Investigator, partner or scope of work.

The following **justification** should be added to the proposal budget narrative that are anticipated to be issued as a fixed price award and meet the \$150,000 total threshold.

“Because the subaward to [Name the subrecipient here] documented in this proposal meets the criteria described in Subpart C- 200.201(b), the University of Arkansas Cooperative Extension Service is therefore requesting prior agency approval of this Fixed Price Subaward. The University will consider this subaward approved if an award is made and no contrary guidance from the agency is included in the award notice.”

4. **Goods or Services for Personal Use.** Most goods and services for personal use are unallowable. The exception to this is that housing costs, housing allowances, and personal living expenses are allowable as a direct cost if approved in advance by the funding agency. The budget justification must explain that such expense have a direct benefit to the proposed program.
5. **Participant Support Costs.** These are direct costs for things like stipends or subsistence allowances, participant tuition, activity insurance, travel allocations and registration fees paid either to the participant or on their behalf in connection with conference, training, workshop or seminar funded by the project. Similar costs for employees are not included in this category, only those for

participants. These costs are excluded from the Modified Total Direct Cost (MTDC) base when determining the indirect costs for the project. These costs require funding agency approval, either in the proposal budget for through a formal request for a project already in the implementation stage. **A University of Arkansas Division of Agriculture or UAF employee is not considered a participant by this definition.**

Honorariums and speaker fees for conferences should be listed as "Other Direct Costs" in one of the open categories rather than as a participant support cost. Facility or equipment rentals are also listed in "Other Direct Costs" under the category for rentals rather than as Participant Support Costs.

6. **Publications and Printing.** The cost of publication or research results sharing that are incurred outside the award performance period are allowable and may be direct charged before project closeout (within 30 – 60 days), even if project has ended. These costs should be included in the approved budget. When publication costs are not identifiable with a particular project cost objective they should be allocated as indirect costs and funded by a non-sponsored source.
7. **Rearrangement and Reconversion Costs.** Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable as indirect costs. Costs incurred for special arrangements and alterations of facilities specifically for a federal award are allowable as direct cost with prior approval of the awarding agency. The justification must explain the direct benefit to the project objectives.
8. **Taxes (including VAT).** In general, taxes required to be paid and which are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for:
 - Taxes from which exemptions are available to the non-Federal entity directly or which are available to the non-Federal entity based on an exemption afforded the Federal Government and, in the latter case, when the Federal awarding agency makes available the necessary exemption certificates,
 - Special assessments on land which represent capital improvements, and
 - Federal income taxes.
9. **Visa (short-term).** Visas may be charged to a Federal award as part of the cost of recruiting individuals who will receive salary from the federal award. Short-term, non-immigration visa costs are also allowed as direct costs on Federal awards if they are for a specific period and purpose and are critical, necessary, and clearly identified as directly connected to the work performed on the Federal award.

10. **Exchange Rates.** Cost increases for fluctuations in exchange rates are allowable costs subject to the availability of funding. Prior approval of exchange rate fluctuations is required only when the change results in the need for additional Federal funding, or the increased costs result in the need to significantly reduce the scope of the project. The institution must review local currency gains to determine the need for additional federal funding before the expiration date of the federal award.
11. **Entertainment.** Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.
12. **Travel.** Travel costs are the expenses for transportation, lodging, subsistence, and related costs incurred by the employee in travel status on official business for the UACES. Travel expenses are normally treated as direct costs. In order to be allowable, the travel must be necessary for the completion of the project or be associated with reporting project results. Standard Cooperative Extension practice is to base travel expenses on a per diem cost depending on the destination. Actual costs for transportation, including applicable mileage reimbursement rates, are documented. Airfare is only reimbursable at coach rates, with business and first-class accommodations ineligible. Expenses incurred for the use of private or chartered aircraft are only reimbursed at the level of normal commercial coach rates. Under the Fly America Act, government-sponsored grants require that travelers associated with the grant fly on U.S.-owned airline carriers.
 - a. **Domestic**
 - b. **Foreign**
13. **Communications.** Communications include costs for phone, postage, and data. Ordinary and routine communications expenses are generally not allowable as direct costs. These expenses are normally included in the indirect cost calculations and treated as indirect costs because of the difficulty in identifying communications expenses related to a specific project. Exceptions may occur when communications expenses can be linked to a specific sponsored project (with a high degree of accuracy) and are used primarily for the sponsored project. In these situations, communications expenses may be charged as a direct expense. Information on how the communications expenses will be used outside of the normal ordinary and routine uses must be included and fully justified in an approved budget or may require written approval from the sponsor depending on the funding specifications.
 - i. **Phones.** Local telephone service is considered an expense of conducting business and cannot be direct charged to a sponsored program. Long distance charges, dedicated toll-free lines, phone banks for conducting project surveys, lines to receive data feeds from the field, hotel and airline internet fees when traveling, etc. are unlike normal business purposes and are direct chargeable on sponsored programs.
 - ii. **Postage.** While general office correspondence is not an allowable cost on a sponsored program, the costs of overnight shipping and handling which can be directly associated with conducting the project are allowable and can

be direct charged to a sponsored program. Examples of allowable expenses could include shipping presentation materials for a conference workshop related to the sponsored program, shipping study plants to the diagnostic lab for testing related to the grant project, survey postage for grant study, etc.

iii. Data

14. **Consulting Services.** The costs of professional and consultant services performed by persons who are members of a particular profession or possess a special skill set are allowable as direct costs. The person(s) cannot be an employee of the University of Arkansas Division of Agriculture and the services cannot be performed more economically by direct employment with CES. In addition, all conditions and requirements of §200.459 must be satisfied. The funding agency will need the name of the consultant, their organization (if applicable), an explanation of the nature of the services that they will provide and its relevance to the project, the number of days of consultation to be provided and the rate of compensation for those service to approve the budget item.
15. **Sub-contracts.** For purposes of the Uniform Guidance, when a non-Federal entity provides funds from a Federal award to a non-Federal entity, the non-Federal entity receiving these funds may be either be a subrecipient or a contractor. (The term contractor is used for purposes of consistency and clarity to replace areas in the previous guidance that referred to vendors, though fundamentally these two terms have always had the same meaning.) It is the substance of the award that determines how it should be treated, even though the pass-through entity or non-Federal entity receiving the award may call it by a different name. So, if a pass-through entity makes an award that it calls a “contract”, but which meets the criteria under section 200.330 to be a subaward to a subrecipient, the non-Federal entity must comply with the provisions of the Uniform Guidance relevant to subawards, regardless of the name used by the pass-through entity to refer to the award agreement. Likewise, any Federal awards that meet the criteria under section 200.330 for the non-Federal entity to be considered a contractor, whether the non-Federal entity providing the funds calls it a “vendor agreement” or a “subcontract”, the non-Federal entity must comply with the provisions of the Uniform Guidance relevant to a contractor. ACES must make case-by-case determinations as to whether a party that is receiving “pass through” federal funds is a subrecipient or a contractor. The final determination of subrecipient status will be based on the subrecipient’s scope of work. A subrecipient is expected to be a true partner in carrying out the project and have a substantial role in programmatic decision making. A subrecipient’s performance is measured in relationship to the achievement of federal program objectives.

Characteristics which support the classification of the non-Federal entity as a subrecipient include:

- Has responsibility for programmatic decision-making and design
- Is responsible for adherence to applicable Federal programmatic compliance requirements
- Uses the Federal funds to carry out a program of the organization for a public purpose as opposed to providing goods or services for a program of a pass-through entity
- Is eligible to receive Federal assistance
- Has performance measured by whether objectives of the Federal program are met
- Retains intellectual property and copyright to the work produced by subrecipient personnel

Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor include:

- Provides similar goods or services to multiple customers as part of their routine business operations
- Normally operates in a competitive environment
- Provides goods or services that are ancillary to the operation of a Federal program
- Is not subject to compliance requirements of a Federal program
- Does not retain intellectual property or copyright to the deliverables

Prior approval is generally required either via inclusion in the proposal or after award. Fixed price subawards on federal projects require prior approval unless waived by the agency.

The sub-recipient's federally negotiated indirect cost rate (F&A rate) should be honored, unless the sponsor's guidelines indicated otherwise. For entities without a federally negotiated rate, a de minimis rate of up to 10% MTDC can be requested.

16. Equipment. Capital expenditures for general purpose equipment (useful life of one year or more and initial purchase price of \$5,000 or more) are unallowable as direct charges except with prior written approval of the Federal awarding agency or pass-through entity. Special purpose equipment is allowable provided items with a unit cost of \$5,000 or more have prior written approval of the Federal awarding agency or pass-through entity. Sponsor guidelines and terms of the award dictate the restrictions on the purchase of capital equipment. Before purchasing equipment on a sponsored account, the Principal Investigator should determine that ACES does not already have the equipment available for use on the project. Departmental approval on the purchase request stands for assurance that existing equipment is not available and accessible for use on the project. Maintenance agreement charges for scientific and technical equipment should be allocated across projects based on usage. Equipment items must be purchased during the period of performance of the grant award.

17. Office Supplies. General office supplies are normally not allowable as a direct charge to a Federal award. General office supplies such as pens, pencils, staples, calendars, paper punches, post-it notes, printers, paper, and stationery are usually considered indirect costs. Because of their general nature, such supplies cannot be identified with a specific project with a high degree of accuracy. However, where the office supplies are not general and are necessary for and actually used for the performance of a specific Federal award, e.g. special notebooks for laboratory use, supplies for poster or other presentations to disseminate scientific results, specialized supplies for recording data or calibrating equipment, then such costs can be considered direct. Allowable supplies are significant in quantity and cost to the project, are completely consumed in the course of the project, are not used for other purposes, and are assigned with relative ease and with a high degree of accuracy to the project. Examples of office supplies charges **allowable** for direct costing:

- envelopes used to mail an unusually large number of research questionnaires
- printer paper, toner, etc. for a research lab computer that is exclusively used for printing of data for the research project
- binders and folders used in a research lab to hold research results

- storage media (zip storage, CD's, etc.) where the research project involves extensive data accumulation and analysis
- research publication costs, i.e., grant-specific printing, photocopying and duplication justified through copy center or departmental logs

If there is a residual inventory of unused supplies exceeding \$5,000 which are not needed for any other Federal award, CES must retain the supplies for use on other activities or sell them. In either case, the Federal government must be compensated for its share. Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms must be charged at their actual net cost.

18. Procurement. As allowed under the Federal Register dated December 19, 2014, CES has elected to delay implementation of the procurement standards outlined in 2 CFR 200.317 through 200.326 and will continue to comply with the procurement standards outlined in OMB Circular A-110 for Awards subject to the Uniform Guidance until July 1, 2017. All procurement activity must be reasonable and comply with Division Policy and UACES Policy and Procedures related to purchasing and P-cards.

a. P-Card

b. Classification Thresholds

19. Rental Costs. Rental costs are allowable as direct costs to the extent that the rates are reasonable and are subject to the requirements of §200.465. Rental arrangements should be reviewed by the Principal Investigator periodically to determine if circumstances have changed and other options are available. In addition, the State of Arkansas requires all property rentals and leases be approved by the Arkansas Building Authority.

a. Property

b. Equipment

20. Salary and Wages. Salaries of faculty, program associates, program technicians, research assistants, postdoctoral associates, or other programmatic personnel who are necessary to meet the goals of the project are allowable. Direct charged rate of pay must be based on institutional base salary and must conform to any sponsor specific salary caps. Efforts must be verified and reported.

21. Fringe Benefits. Fringe Benefits are a direct cost charged as a percentage of salary when related salaries are a direct cost; they are considered indirect costs when related salaries are an indirect cost. Fringe Benefit rates are negotiated and approved by the Department of Health and Human Services. The rates apply to all sponsored projects.

22. Conference/Meeting Costs. If the sponsored project includes provisions for conducting meetings and conferences, associated expenses are allowable. Rental of facilities, supplies, publications, conference services, food service, and speaker fees are all eligible expenses, as are salaries of personnel involved in planning and conducting the gathering. Expenses for entertainment, social activities, and alcoholic beverages are specifically excluded and are non-allowable costs. The conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs.

23. Facilities and Administration (F&A)/Indirect Costs (IDC). Indirect costs (IDC), also known as Facilities and Administration (F&A) Costs, can be defined as those actual expenses of CES that are not readily identifiable and assignable to a specific project but are necessary to ensure that the project is successfully completed. The indirect costs are the real costs of using CES facilities and administrative support that cannot be claimed as a direct expense. These indirect costs are partially recovered through an “indirect cost rate” determined by negotiation. The indirect cost rate is normally expressed as a percentage of eligible direct costs and includes expenses such as clerical support, office equipment and supplies, local phone service, facility space, and utilities. Except in rare circumstances, any expense normally assigned to the indirect cost rate cannot also be claimed as a direct cost. The recovery of indirect costs is not profit.

In determining indirect cost reimbursement, the Cooperative Extension Service utilizes the “modified direct total cost” (MDTC) method of calculation. Under the MDTC method, direct costs are adjusted to form an indirect cost “base” which represents the total cost to which the indirect cost rate is applied. Our federally negotiated indirect cost rate, also called the F&A rate, is approved in the University of Arkansas's rate agreement with the Department of Health and Human Services. The Modified Total Direct Cost rate excludes equipment, capital expenditures, rental of off-site office space, participant support costs and the amount of each subcontract in excess of \$25,000 (no matter what the time period covered) from the base used for calculating indirect costs.

24. Unallowable. Costs that are specifically designated as unallowable costs by OMB Uniform Guidance include:

- Advertising expenses except for employee and subject recruitment
- Alcoholic beverages
- Alumni activities
- Bad debts
- Commencement and convocation costs
- Contingency provision costs
- Contributions and donations
- Certain defense and prosecution of criminal and civil proceedings
- Entertainment costs (e.g., tickets to events)
- Fines and penalties for failure to comply with government laws and regulations
- Goods and services for personal use

- Insurance against defective workmanship or materials
- Interest, fund raising, and investment costs (excluding third party interest expenses)
- Lobbying costs (e.g., costs of legislative liaison activities, session attendance)
- Malpractice insurance that does not involve human subjects
- Membership in any civic or community organization, country club, social or dining club
- Public relations costs
- Selling and marketing costs
- Travel/subsistence costs of trustees

25. Unacceptable Practices. Unacceptable direct charging practices include:

- Purchasing items simply to exhaust an unobligated balance.
- Rotating charges among projects.
- Assigning charges to the sponsored agreement with the largest remaining balance
- Charging the budgeted amount rather than charging an amount based on actual usage
- Assigning charges to an award before the cost is actually incurred.
- Identifying a cost as something other than what it actually is, e.g., classifying a supply as an item of equipment
- Charging an expense exclusively to a single award when the expense clearly has supported other activities.
- Assigning costs that are part of normal administrative support (F&A) as direct charges.
- Transferring an overdraft from one sponsored project to another, without express sponsor approval.

26. Dependent Care Costs. Cooperative Extension Service policy does not allow for the reimbursement of dependent care costs while an employee is in travel status. Therefore, these costs remain unallowable on sponsored programs awarded to the Cooperative Extension Service because Uniform Guidance requires the consistent treatment of costs across all fund types.

27. Memberships. Membership in scientific or professional organizations are normally not allowable on a sponsored program. They are considered professional development expenses and should be covered by personal funds or indirect costs. They normally are considered as indirect costs since they are helping a P.I. further their knowledge in their field. However there are exceptions in certain cases. When a particular journal or other scientific publication that is a benefit of membership and not available to non-members is needed for the project or directly related to it, the membership is allowable. When attendance at a meeting is significantly cheaper (greater savings than the cost of the membership) and conference attendance is directly related to the sponsored project. A third situation would be when membership is required to attend a conference which is part of the sponsored program. The key element is that there must be a direct benefit to the sponsored program.

The cost of membership in a civic or community organization is allowable provided there is prior approval from the federal awarding agency and that the membership has a direct relationship to the sponsored program.

28. Moving Expenses. Included in relocation costs explanation below.

29. Relocation Charges. Relocation costs are allowable when a current employee has a permanent change of assignment to a new location or for a new employee. Relocation costs are allowable provided they meet the following criteria: the move benefits the employer, reimbursement is in accordance with written organizational policy and the reimbursement does not exceed the actual costs. There are limitations on the costs for current employees. New employees must continue to work for the organization for at least 12 months after their hire date. If the person resigns for reasons within their control within the first 12 months, they must refund the relocation costs to Extension because Extension will have to refund the federal government. Fees associated with acquiring a new home, a loss of the sale of a former home, mortgage payments and/or interest on a home being sold or income taxes paid by an employee related to reimbursed moving costs are not allowable expenses.

30. Termination Payouts. Termination payouts should comply with the “proportionality principle” in their usage. In other words, they are to be paid proportionally to the benefit received by the sponsored program. Items to be considered in making the determination include the number of years of service on a particular award, as well as the percentage of an FTE that was devoted to the project during that time.