## TABLE OF CONTENTS

A. Procedure Overview & Purpose  
B. Key Personnel & Responsibilities  
  1. Principal Investigator  
  2. Department Chair  
  3. Sponsored Programs Office  
  4. University Corporation Controller  
C. Charging Costs to Sponsored Projects  
D. Charging F&A Type Costs Directly to Sponsored Projects  
  1. Definitions of Common Exceptions  
  2. Additional Guidance and Examples  
  3. Approval Process  
E. Effective Date of Procedure  
F. Appendix – Request for Direct Charging of F&A Type Costs (DCFAC)
A. Procedure Overview & Purpose

This procedure describes the roles, responsibilities and steps to be performed by the University Corporation at Monterey Bay ("University Corporation" or "CSUMB") and CSUMB University personnel when charging costs to sponsored projects, in accordance with the University Corporation’s policy entitled, "Direct and F&A Costing Policy."

This procedure does not apply to non-sponsored projects, specialized service facilities (see CSUMB’s separate “Service Center Policy” and “Service Center Procedure”), and other non-sponsored agreements.

The “Direct and F&A Costing Policy” should be referenced for all applicable federal and state regulations and CSUMB definitions and requirements. These procedures and related guidance address the assignment of activities to personnel and include key instructions, templates and tools.

The University Corporation Controller should be contacted with any questions regarding the procedures.

B. Key Personnel & Responsibilities

1. Principal Investigator ("PI")
   a. The individual responsible and directly accountable for budgeting and charging costs to the sponsored projects that they oversee. Responsibilities include:
      i. Reviewing, approving and justifying project expenditures
      ii. Submitting the justification and rationale for budgeting and charging indirect (facilities and administrative, "F&A") type costs as direct project expenses
      iii. Understanding and ensuring compliance with sponsor and CSUMB guidelines

2. Department Chair
   a. The applicable Department Chair is responsible for approving a PI's request to treat F&A type costs as direct project expenses

3. Sponsored Programs Office
   a. University Sponsored Programs Office responsible for reviewing and approving the following:
      i. Direct project expenditures
      ii. Requests for Direct Charging of F&A Type Costs (DCFAC)

4. University Corporation Controller
   a. The University Corporation Controller is responsible for the following:
      i. Monitoring compliance with sponsor requirements and CSUMB “Direct and F&A Costing Policy” and “Direct and F&A Costing Procedures and Guidance”
      ii. Providing clarification (when needed) for how costs should be charged to sponsored projects
      iii. Approving Requests for Direct Charging of F&A Type Costs (DCFAC)
C. Charging Costs to Sponsored Projects

All costs charged to sponsored projects must be reviewed and approved by the project PI. The PI, or the project administrator, must then submit the charges to the Sponsored Programs Office for approval. Expenses are reviewed by the Sponsored Programs Office, and must include the following information:

- A description of the expenditure
- The correct account code to ensure that the expense is charged to the account that has a corresponding line item in the grant budget
- A justification for the expenditure and how it benefits the specific grant/scope of the sponsored project (reasonable and allocable)

The information must be attached to a sheet of 8 ½ x 11 inch paper to which the receipts are affixed and/or included on the justification line on the procurement card reconciliation in PeopleSoft and/or included as part of the purchase requisition.

D. Charging F&A Type Costs Directly to Sponsored Projects

F&A costs are those indirect costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project. The “Direct and F&A Costing Policy” provides definitions and descriptions of F&A costs versus direct costs. There are certain circumstances, however, where costs that are normally treated as F&A costs may be treated as direct costs to a sponsored project. Such circumstances are the exception, not the rule, and specific criteria must be met and an approval process (described under Approval Process below) must be followed for these F&A type costs to be charged directly to a sponsored project. Detailed explanations are included within the “Direct and F&A Costing Policy”, and additional information and examples are included below to provide greater clarity.

In order to direct charge a cost to a sponsored project that would ordinarily be charged as an F&A cost, all of the following criteria must be met:

- The sponsored project has an extensive need for the item or service that is beyond the level of service normally provided by the academic department (e.g. there are unlike circumstances).
- The cost can be specifically identified to the technical scope of work conducted under the project and is appropriately documented.
- Approval for direct charging has been obtained from the Sponsored Programs Office.
- The cost is specified in the sponsored project proposed budget and the special circumstances requiring direct charging are justified in the proposal.

1. Definitions of Common Exceptions

Listed below are the most common circumstances in which direct charging F&A type costs may be appropriate.

a) Projects that qualify as “major projects.”
   i. A-21 defines a “major project” as one 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.
   ii. Examples of major projects from A-21 include the following:
      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.

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 studies).

3) Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.

4) Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).

5) Projects that are geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research fields sites that are remote from campus.

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.

b) Non-major projects where "unlike circumstances" exist

i. Direct charging of F&A type costs may also be appropriate for costs allocable to projects that do not meet the definition of a "major project," but for which unlike circumstances exist - i.e. if the activities or items charged direct are not the same as the activities or items normally included in the institution's F&A cost pools.

ii. A specific example might involve the cost for regular postage (1st class mail), which is normally treated as an F&A cost. There may be a sponsored project that entails extensive data collection via mail survey and therefore the use of postage/mail services is expected to be substantially beyond what is typical for sponsored projects. In this case, the postage costs associated with the conduct of the survey could be a direct charge to the project.

2. Additional Guidance and Examples

Additional guidance and illustrative examples are provided below to help clarify the criteria for "major project" and "unlike circumstances".

a) Major project distinction

i. When determining whether a program qualifies as a "major project", the project should be evaluated relative to the A-21 examples and criteria included above.

ii. However, per A-21, the examples are not exhaustive nor are they intended to imply that direct charging of administrative or clerical salaries would always be appropriate for the situations illustrated in the examples.

1) For instance, the examples would be appropriate when the costs of such activities are incurred in unlike circumstances, i.e., the actual activities charged direct are not the same as the actual activities normally included in the institution’s facilities and administrative (F&A) cost pools or, if the same, the indirect activity costs are immaterial in amount.

2) It would be inappropriate to charge the cost of such activities directly to specific sponsored agreements if, in similar circumstances, the costs of performing the same type of activity for other sponsored agreements were included as allocable costs in the institution's F&A cost pools.

3) Application of negotiated predetermined F&A cost rates may also be inappropriate if such activity costs charged directly were not provided for in the allocation base that was used to determine the predetermined F&A cost rates.
b) Unlike circumstances for non-major projects
   i. When determining whether a situation qualifies as an “unlike circumstance,” the manner in which the F&A type costs is used and accounted for across the organization must be taken into account by the Sponsored Programs Office. If an exception is made to direct charge an F&A type cost, that same precedence must be followed in similar circumstances throughout the organization, to avoid an inconsistency issue.
   ii. The following type of review should be performed when determining whether “unlike circumstances” exist:
      1) Will the F&A type costs be used in a manner that is different/unlike the usual manner in which they are used when they are treated as F&A costs?
         Examples:
         • Is an administrative or clerical individual performing a function for a project that is unlike the normal general administrative support they would typically provide to all projects—e.g. preparing reports, synthesizing data, etc.?
         • Are general office supplies being used in unusual quantities and in unlike circumstances from the normal use—e.g. large volumes of reports and data being generated and/or mailed, large numbers of surveys being administered, etc.?

c) Illustrative examples for certain items of cost

<table>
<thead>
<tr>
<th>Administrative and Clerical Salaries A-21-F6b(2)</th>
<th>Administrative and clerical salaries may only be charged direct if the sponsored project meets the definition of a major project (see #1 above), or the admin/clerical individuals are performing a function that is unlike their typical indirect function - consistent with CSUMB’s direct and indirect charging practices.</th>
</tr>
</thead>
</table>
| General Office Supplies A-21-F6b(3)         | General office supplies, including paper, pencils, pens, file folders, staples, etc. may not be directly charged unless the project meets the definition of a major project, or an extraordinary use of office supplies specifically related to the technical/scientific needs of a project is necessary. Examples include:
   • Paper, envelopes or computer paper, used as part of a survey mailed to participants for an epidemiological study may be appropriate to charge as direct. (Paper, envelopes or computer paper used as part of the administration of a project or for routine correspondence and publications would not be appropriate for direct charging.)
   • Three ring binders or notebooks used to organize class material for a workshop on a project that has the stated objective of presenting a three-month workshop for teachers would be an appropriate direct cost since the binders provide a direct benefit to the purpose of the project. (Binders or notebooks used to maintain general information would not be appropriate for direct charging.) |
| Memberships and Subscriptions                | Memberships in professional or scholarly societies and subscriptions to scholarly publications are F&A type costs. Generally the library will provide access to periodicals, books, and other forms of scholarly publications. Circumstances in which membership dues may be charged direct to |
A sponsored project include:

- where membership is a mandatory requirement of the specific agreement; or
- for training/fellowship programs where the membership is authorized for a trainee as part of the trainee’s development/training program; or
- where the membership is required/included as part of the registration costs for a conference and participation in the conference is directly related to the specific needs of the agreement.

Subscription costs may only be charged to a sponsored project if the PI is able to certify that the publication is a necessary requirement for the scientific/technical completion of the specific agreement and that it does not benefit other agreements/projects or activities (this would be very rare, as most publications provide a general benefit to research and teaching activities.)

Postage is treated as an F&A cost, with the exception of Federal Express or other courier costs directly related to the scientific/technical needs of the agreement. Examples:

- Costs of shipping project samples to a laboratory or a collaborator for analysis may be appropriate for direct charging, as would costs for mailing large epidemiological surveys. On the other hand, mailing costs for routine correspondence or mailing proposals, manuscripts, or reports would not be appropriate for direct charging.
- Shipping costs for returning a piece of equipment may be appropriate for direct charging if the equipment was originally purchased on the agreement and shipping costs of this nature are treated consistently in similar situations across the university.

Local Telephone Charges

Basic telephone line charge and local calls may not be charged directly to a sponsored project, except in the rarest circumstances when a separate, dedicated telephone line is necessary solely for the performance of a sponsored project. Additional examples include the following:

- The cost of telephone lines may be an appropriate direct charge for a project requiring extensive telephone surveying where the function of specified staff is to telephone respondents. Direct charging would only be permitted for the dedicated lines, not for all telephone services supporting the lab or office in which the project is based. (Local telephone charges are not appropriate to charge direct where the purpose is to provide general telephone accessibility to the staff or a lab).
- Pagers/cellular telephone costs may be appropriate for direct charging for an individual whose primary task is to travel from location to location to gather data or conduct patient surveys and that person must maintain contact on a continual basis, as part of the specific needs of the agreement. Costs would be allowable as direct only if the pager/cellular telephone is being used solely to support the
project. (In the case of an individual who has multiple duties or works on several agreements or where the pager/cellular telephone is not an integral part of the specific tasks associated with the agreement, costs of a pager/cellular telephone would not be appropriate as a direct cost. If the pager/cellular telephone is needed primarily because the person needs to be reachable by staff, such costs may not be directly charged to a sponsored agreement.)

| General Purpose Equipment | Computers, printers, general purpose software and other equipment items are normally treated as F&A costs. However, direct charging may be appropriate to a major project or when the PI is able to certify that the equipment is necessary for the unique scientific/technical tasks of the specific agreement. Examples:  
A computer that is only used to store and access a large scientific database may be appropriate as a direct cost. (A computer used for processing reports, manuscripts, correspondence and publications would not be appropriate for direct charging. A water de-ionizer that normally services many diverse functions and projects would not be appropriate as a direct cost.) |

3. Approval Process

The approval process for direct charging F&A type costs to sponsored projects is described below and summarized in the subsequent flowchart.

a) If a PI believes that he/she has a “major” project and/or there is a justification for direct charging F&A type costs to a non-major project, the PI must complete the “Request for Direct Charging of F&A Type Costs (DCFAC)” form prior to completing and submitting their budget to the sponsor.
   i. Note: If the PI does not obtain approval for direct charging a cost prior to having his/her budget approved by the sponsor, and/or he/she did not include and justify the costs in the approved budget, the PI may request an exception to direct charge the costs when they are incurred by submitting an DCFAC form to the Sponsored Programs Office. This after-the-fact process should be the exception and not the rule.

b) The PI must submit the DCFAC form to their Department Chair for approval.

c) The Sponsored Programs Office will review the DCFAC form and approve the charge if considered appropriate.

d) The University Corporation Controller will provide final approval for the DCFAC form.
Cost(s) may not be budgeted or charged directly to the sponsored project.

PI determines whether the project has an extensive need for the item or service that is beyond the level of service normally provided by the academic department (e.g. “major project” or “unlike circumstance”).

At the proposal/budget stage, the PI reviews the “Direct and F&A Costing Policy” definitions and criteria to determine whether direct charging of F&A type cost(s) to the sponsored project is appropriate.

PI determines whether the cost(s) can be specifically identified to the technical scope of work conducted under the project and be appropriately documented.

PI prepares the “Request for Direct Charging of F&A Type Costs (DCFAC)” form with attachments and submits it to the Department Chair for Approval.

Department Chair reviews DCFAC form and attachments.

Grants & Contracts Office reviews DCFAC form and attachments.

Foundation Controller reviews DCFAC form and attachments.

PI includes the specified cost(s) in the sponsored project proposed budget as a direct cost and justifies the special circumstances requiring direct charging in the proposal.

PI follows “Direct and F&A Costing Procedures & Guidance - Section C” when charging the F&A type cost(s) directly to the project.
E. Effective Date of Procedure

The Direct and F&A Costing Procedures & Guidance is effective as of fiscal year 2007-2008.
F. Appendix - Request for Direct Charging of F&A Type Costs (DCFAC)

Name of Project or Program: ____________________________________________

Name of Investigator/Director: __________________________________________

I. Type of Exception:

   a. Major Project (Check all that apply)

      - 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.

      - 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
        studies).

      - Projects that require making travel and meeting arrangements for large
        numbers of participants, such as conferences and seminars.

      - Projects whose principal focus is the preparation and production of manuals
        and large reports, books and monographs (excluding routine progress and
        technical reports).

      - Projects that are geographically inaccessible to normal departmental
        administrative services, such as research vessels, radio astronomy projects,
        and other research fields sites that are remote from campus.

      - Individual projects requiring project-specific database management;
        individualized graphics or manuscript preparation; human or animal protocols;
        and multiple project-related investigator coordination and communications.

   b. “Unlike Circumstances” for Non-Major Projects

      - The activities or items to be charged direct are not the same as the activities or
        items normally included in CSUMB’s F&A cost pools.

Narrative Justification: Provide a written justification for the selection above, identifying
what circumstances and tasks/activities make it necessary to charge directly items normally
 treated as F&A. (Insert into this document or include as an attachment)

II. Administrative and/or Clerical Salaries: Describe the costs requested and explain how they
    are specific and necessary to the project or program. (Insert into this document or include as
    an attachment)

III. Other Costs (office supplies, telephone, postage, duplication): Describe each of these
     costs and explain how they are specific and necessary to the project or program. (Insert into
     this document or include as an attachment)
Certifications and Endorsements

It is understood by all the undersigned endorsing this request that to withstand federal audit, the costs for which exception has been granted must conform with CSUMB’s policy for Direct and F&A Cost Charging, as well as the underlying regulations contained in A-21. **The undersigned agree that all expenditures will be in strict conformance with these standards.**

Agree: ____________________________________________________   ________
      Principal Investigator/Project or Program Director            Date

Agree: ____________________________________________________   ________
      Department Chair/Director of Unit                          Date

Approvals

Approval Recommended: _____________________________________   ________
      Sponsored Programs Office                                   Date

Approved: _________________________________________________   ________
         University Corporation Controller                         Date

DCFAC Identification Number: __________________________________________