

## Implementing Federal Cost Accounting Standards

### Background

The Cost Accounting Standards Board (CASB) within the Office of Management and Budget (OMB) issued four cost accounting standards for educational institutions. In April 1996, OMB Circular A-21 incorporated these four cost accounting standards. Appendix of A-21 provides details on the CAS, which are codified in part 99905 of 48 CFR 99. Since the CAS are now part of A-21, awards subject to A-21 are also subject to the CAS (see A-21, section A.3 "Application").

### Four Standards

The following table lists the title and purpose of each cost accounting standard:

CAS	Title	Purpose
501	Consistency in estimating, accumulating and reporting costs by educational institutions	To ensure that cost accounting practices for estimating costs in a proposal are consistent with cost accounting practices for accumulating and reporting costs.
502	Consistency in allocating costs incurred for the same purpose by educational institutions	To ensure that each type of cost is allocated only once and on only one basis to any sponsored project or other cost objective.
505	Accounting for unallowable costs - educational institutions	To facilitate all aspects of sponsored projects by establishing guidelines covering the identification and treatment of unallowable costs.
506	Cost accounting period - educational institutions	To provide criteria for the selection of the time periods to be used as cost accounting periods for sponsored project cost estimating, accumulating, and reporting.

### CAS Objectives

The objectives of the CAS are to:

- provide for consistent use of accounting practices,
- provide greater standardization in treatment of costs on federal awards by an educational institution,
- prevent charging unallowable costs to federal awards, and
- provide for uniformity of the accounting practices used among educational institutions.

The CAS are concerned with consistency in cost accounting with respect to the:

- measurement of costs (amount),
- assignment of costs to the proper accounting period (timing), and
- allocation of costs to intermediate and final cost objectives (distribution methods).

## Research Foundation Implementation

Since sponsored program management practices need to comply with the CAS, operating locations should:

- establish written cost accounting policies (specifically, policies on direct versus indirect costs),
- communicate their cost accounting policies,
- when required, file a disclosure statement, and
- be aware that the CAS requirements flow down to subrecipients.

Each requirement is described in the blocks that follow.

**Note:** When implementing the above requirements, Research Foundation staff may need to collaborate with corresponding State University of New York (SUNY) staff at operating locations.

## Establishing Written Cost Accounting Policies

Since practices used in estimating costs in proposals should be consistent with the practices used in accumulating and reporting costs, operating locations should establish written policies that identify their cost accounting practices (regardless of the requirement to provide a written disclosure statement).

**Note:** Due to the complexity of establishing cost accounting policies, operating locations can contact the Treasurer's Office for assistance.

These cost accounting policies should include the operating location's treatment of direct and indirect costs. The following block describes some direct and indirect cost treatment issues. (Refer to "[Guidelines for Determining Direct and Facilities & Administration \(F&A\) Costs](#)" for definitions and additional information on direct and indirect costs.)

## Treatment of Costs in Cost Accounting Policies

### Costs Normally Treated as Indirect

When establishing their treatment of costs, operating locations should pay close attention to costs "normally treated" as indirect. The following list (from A-21, section F6b) includes specific examples of these costs:

- office supplies
- postage
- local telephone
- memberships and subscriptions
- administrative and clerical salaries

For further details and examples refer to Exhibit A.

### Cost Sharing and Recharge Rates

Due to federal government scrutiny of these costs, operating locations should ensure that their cost sharing and recharge rates for service centers are appropriate and properly documented.

For more information on cost sharing, refer to the procedures on cost sharing under the Grants Management business area.

For more information on recharge rates, refer to "Service Center Guidelines."

## **Communicating Policies**

Operating locations should communicate their cost accounting policies to appropriate campus personnel and establish a process to monitor their cost accounting practices to ensure compliance with the policies they have established based on the CAS. "Appropriate campus personnel" includes, but is not limited to:

- persons making decisions as to whether a cost should be direct or indirect in proposals, expenditures, and reports.
- persons involved in service center rate development.
- persons involved in the preparation of the federal indirect cost proposal.
- project directors.
- department chairs.

## **Disclosure Statement**

Educational institutions are required to prepare a disclosure statement (CASB-DS-2) when the institution receives

- total federally sponsored awards equal to, or greater than, \$25 million during their latest completed fiscal year,
- a CAS-covered contract or subcontract of \$25 million or more, or
- a CAS-covered contract or subcontract in excess of \$500,000 and the institution is one of the major recipients of federal funds that is listed in Exhibit A of OMB Circular A-21.

The purpose of the CASB-DS-2 is to provide an adequate written disclosure of the institution's accounting practices, cost accounting practices, treatment of direct and indirect costs, and the basis for their indirect cost allocations. In this context, adequate disclosure means the accounting practices are current, complete, and accurate.

## **Flowdown**

CAS requirements flow down to subrecipients of CAS-covered awards. The clause "Compliance with Laws and Regulations: General Obligations" in the Research Foundation's standard cost reimbursable subcontract and subgrant agreement serves as the flowdown mechanism.

## **Exhibit A - Costs Normally Treated as Indirect**

### **Introduction**

This exhibit further describes costs listed in A-21, section F6b, that are "normally treated" as indirect costs.

Although normally treated as indirect, these costs can be charged directly. Operating locations who charge these costs directly must consider if each cost:

- meets the definition of a direct cost.
- meets the basic cost considerations in section C of A-21.
- is incurred in unlike circumstances (circumstances different from the normal operations of an institution).
- has been justified in writing and is either approved in the budget, or approved by a designated official of an operating location with rebudgeting authority.

The following blocks include examples of costs normally treated as indirect, and, where applicable, instances when they may be directly charged.

### **Office Supplies**

The costs of general office supplies such as pencils, pens, paper clips, memo pads, and file folders, are normally treated as indirect costs.

The direct charging of office supply costs may be appropriate for such costs as research notebooks and computer paper used for a specific project.

### **Postage**

The costs of postage for routine correspondence are normally treated as indirect costs.

The direct charging of postage cost may be appropriate for such costs as the shipment of materials, bulk mailings, and mailing of deliverables.

### **Local Telephone**

The costs of basic service and local calls are normally treated as indirect costs.

The direct charging of local telephone costs may be appropriate for such costs as a separate telephone line dedicated solely for the performance of a sponsored project.

**Note:** Long distance toll charges that are reasonable and necessary to the performance of a project may be charged directly either by identifying them individually to the project they benefit, or on a proportional basis using documented, reasonable methods.

### **Memberships and Subscriptions**

The costs of an institution's memberships in or subscriptions to business, technical, and professional organizations or periodicals are normally treated as indirect.

The direct charging of institutional and individual memberships or subscriptions costs is rarely appropriate. Operating locations who want to charge these costs directly should ensure that all criteria for direct charging are met.

### **Administrative and Clerical Services**

The salaries of administrative and clerical staff are normally treated as indirect costs.

Direct charging of these costs would only be appropriate where a major project or activity explicitly budgets for administrative or clerical services and persons involved can be specifically identified with the project or activity. The following examples illustrate circumstances where direct charging the salaries of administrative or clerical staff may be appropriate.

- 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 that involve extensive data accumulation, analysis, and entry, surveying, tabulation, cataloging, searching literature, and reporting, such as epidemiological studies, clinical trials, and retrospective clinical records studies.
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- Projects 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 seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus.

These 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.

**Feedback**

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