

UNIVERSITY OF MARYLAND POLICY FOR DIRECT CHARGING
OF COSTS TO FEDERAL GRANTS, CONTRACTS, AND
COOPERATIVE AGREEMENTS

Approved by Vice President for Administrative Affairs,
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I. Policy

The objective of this policy is to provide the institutional standard for determining how costs are charged to federally sponsored agreements or similar cost objectives. The policy will apply to all major categories of cost under each major function or activity such as instruction, organized research, other sponsored activities and other institutional activities. The criteria for determining when costs incurred for the same purpose, in like circumstances are treated either as a direct cost only or as an indirect cost only with respect to final cost objectives are described below. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., supplies, materials, salaries and wages, fringe benefits, etc.) depending upon the purpose of the activity involved.

The University follows the general guidelines in sections D and E of Circular A-21 in determining the treatment of costs as direct or indirect. Accordingly, costs that can be identified specifically with a particular sponsored project, instructional activity, or other institutional activity, or can be directly assigned to such activities relatively easily with a high degree of accuracy, are treated as direct costs. Conversely, costs incurred for common or joint objectives which cannot be identified readily and specifically with a particular sponsored project, instructional activity, or other institutional activity, are treated as indirect costs. The University's indirect costs are consistent with the definitions of specific indirect cost categories in section F of Circular A-21.

The University also follows the guidelines of Section F.6.b of Circular A-21 which specify the normal treatment of certain costs commonly incurred by academic departments and organized research units. Additionally, the University relies on the judgment of sponsoring federal agencies, and the actions they take on grant applications and contract proposals in determining the treatment of certain types of costs as direct or indirect. It is the responsibility of the department incurring the cost to classify costs incurred for the same purpose, in like circumstances, consistently as either direct or indirect costs.

For example, when administrative and clerical costs are directly charged to the sponsored agreements, it is because the nature of activity performed is different (thus creating an "unlike circumstance") than the usual activities performed by the administrative personnel. Within academic departments and organized research units, major cost categories are treated as follows:

II. Direct Cost Categories

A. Secretarial, Clerical, and Administrative Salaries and Wages

The salaries of administrative and clerical staff should normally be treated as indirect cost. The direct charging of these costs may be appropriate where the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by academic departments. The costs would need to be identified specifically with a particular sponsored project relatively easily with a high degree of accuracy, and the special circumstances requiring direct charging of the services would need to be justified to the satisfaction of the awarding agency in the grant application or contract proposal. The University believes that this can be most effectively assessed by the principal investigator working with the sponsoring agency's technical staff.

The following examples are illustrative of circumstances where direct charging the salaries of administrative or clerical staff may be appropriate.

1. Large, complex programs, such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers. Groups of awards where the technical work plans are considered to be related (Superconductivity Research). Any center established by the Federal Government through a center grant (Institute for Systems Research) and other grants and contracts that entail assembling and managing teams of investigators.
2. Projects which involve extensive data accumulation, analysis and entry, surveying tabulation, cataloging, searching literature, and reporting.
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 seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus. Projects with major overseas components would fall into this category.

These situations are considered "unlike circumstances" under CAS 502. 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. This section of the policy deals only with salaries and wages of secretarial, clerical and administrative and does not apply to salaries and wages of specialist and technical staff.

B. Technical Staff Salaries and Wages

The salaries and wages of specialist and technical staff such as programmers, technicians, editors, graphic designers, animal maintenance staff, photographers and others whose salaries and wages are normally treated as direct costs.

C. Research Materials, Supplies and Equipment

The costs of research materials, supplies and equipment (e.g. chemicals, glassware, research record keeping and reporting materials and supplies, etc.), instructional supplies, animals, animal care and other specialized services, travel, consulting services, patient care, long distance telephone toll charges identifiable to research, instruction, or other direct cost objectives are treated as direct costs.

D. Repair and Maintenance

Repair and maintenance involving internal building operations and equipment which are identifiable to research projects, instructional activities, or other direct cost objectives, are treated as direct costs based on a work order system or invoices from vendors, the direct charges are credited against the Operations and Maintenance indirect cost pool. Rent and other associated costs of facilities used to conduct off-campus sponsored projects are also treated as direct costs.

E. Other Costs

The costs of office supplies, postage, local telephone (basic) costs, memberships, general copying, FAX, and similar costs are treated as indirect costs, except under conditions which the university considers "unlike circumstances" under CAS 502.

The University relies primarily on principal investigators or their designee to determine whether direct charges for administrative or clerical salaries, office supplies, postage, memberships, and similar costs are appropriate for a particular project, and to fully justify these costs to sponsoring agencies in grant applications and contract proposals. If the sponsoring agency specifically disapproves the cost, the University will rely on the sponsoring agency's judgment that the cost did not meet the criteria for direct charging and will treat the cost as an indirect cost. If circumstances arise at a later date that justify direct charging of the costs, the University will seek reconsideration by the awarding agency.