

## **General Rules for the Use of Funds Deposited or Held in KUCR Accounts**

**PURPOSE:** This document was developed to ensure consistent compliance with OMB Circular A-21 and the Cost Accounting Standards, under which all federal funds must be managed. In addition and for consistency purposes, KUCR applies the basic principles of OMB Circular A-21 to all other sponsored projects. Some funds held at KUCR are outside of the realm of sponsored funding and may allow additional flexibility. This document should clarify those exceptions.

**APPLICABILITY:** This policy provides the general principles for managing accounts held in KUCR including all sponsored projects, PI accounts, fee accounts, matching accounts, etc. Exclusions are noted below for each item. In addition, some sponsors have the authority to approve what would otherwise be considered an unallowable cost and the sponsor's determination will provide sufficient justification for allowance.

**DOCUMENTATION:** One of the most important underlying principles for determining the allowability and appropriateness of charges is ensuring that transactions are adequately documented. Adequate documentation includes an invoice or receipt that identifies WHAT was purchased, WHERE it was purchased, and WHO purchased it. In addition, WHEN it was purchased may also be a deciding factor on allowability. Adequate documentation is necessary to determine allowability and appropriateness.

The Principal Investigator/Project Director (PI/PD) or other responsible party overseeing an account and his/her department or unit are ultimately responsible for the allowability and appropriateness of expenditures charged to a sponsored project, PI account, or other KUCR service accounts. The PI/PD is in the position to determine the best use of his/her funds and should rely on the basic principles of the Office of Management and Budget Circular A-21 for allowability (see <http://www.whitehouse.gov/omb/rewrite/circulars/a021/a021.html>). Judgment on the reasonableness of all expenditures, and especially in the case of hospitality, is the responsibility of the department or unit managing the project or fund account. Certain types of expenditures from a KUCR fund are never allowable, except as noted below.

### **Unallowable Expenditures Include:**

- **Alcoholic beverages** charged to any fund account unless the use is for an official business purpose, for cooking, research, or course study. No federal funds may be used for the purchase of alcoholic beverages.
- **Flowers or gifts** of any kind in connection with the illness, death or personal benefit of employees or family members. Flowers used for public functions, such as retirement parties and convocations may be allowable from non-federal, non-restricted funds (e.g. a PI account) when they serve an official business purpose.
- **Employee hospitality functions** such as holiday parties and recognition lunches, departmental retreats, and retirement parties that serve a business purpose are allowable from KUCR non-restricted funds.
- **Any item of personal benefit** to the recipient as the Internal Revenue Service considers such items to have a taxable nature.

## **Select Expenditure Categories:**

The following expenditures categories have inherently been subject to more scrutiny, both in audit situations, internally and with the public.

### ***1. CELL PHONES, PDAs, SMART PHONES, and OTHER ELECTRONIC COMMUNICATION DEVICES:***

The KU policy on cellular phones will be followed for purchase and use of cellular devices. See the Policy Library at <https://documents.ku.edu/policies/Chancellor/MobileCID.CellPhonePolicy.htm>. The monthly service fees for most all types of cellular and/or portable communication devices are generally considered an unallowable cost on federal sponsored projects unless detailed justification and explicit sponsor approval is received prior to the expense. The purchase of the material devices, enhancements, and non-recurring costs may be allowed from non-restricted KUCR accounts. Recurring service costs for the maintenance of such devices may also be allowed from non-restricted accounts if prior approval is received through normal KU procedures in compliance with the KU cellular phone or other applicable policy.

### ***2. COMPUTERS, LAPTOPS and PRINTERS***

OMB Circular A-21 defines computers, laptops, and printers as general use equipment, or if under \$5000, as a supply item. As such, computers and printers are not allowed to be purchased on federal sponsored projects unless an unlike circumstance can be justified or specific written approval from the administrative signatory of the sponsoring agency is received. An unlike circumstance is generally defined as an item that is normally considered an unallowable direct cost, but that which is determined to be necessary for the successful completion of the project and for which the project will be the sole beneficiary of the purchase. Equipment that will be used for other general departmental needs, or that will be utilized on other sponsored projects and cannot be shown as directly contributing to the federal project to which it is charged will not be allowed. Non-restricted funds, such as PI accounts, may be used to purchase computers and printers that will be used for general purposes.

### ***3. DOMESTIC AND INTERNATIONAL TRAVEL:***

All travel on sponsored projects should be reviewed to make sure it is allowable under sponsor guidelines. International travel may carry additional restrictions regardless of funding source, such as prior approval for travel to any country on the State Department warning list, export control limitations, and limitations on cash that may be carried into or out of certain countries. For an up to date listing of important issues related to travel using any KUCR funds, please refer to the Travel-Related Information page on the KUCR website at [http://research.ku.edu/travel\\_expense\\_reports](http://research.ku.edu/travel_expense_reports). For additional questions please email [kucrtravel@ku.edu](mailto:kucrtravel@ku.edu).

### ***4. FURNITURE and OFFICE EQUIPMENT***

In general, purchase of furniture and office equipment, including but not limited to desks, cabinets, chairs, and copiers, is unallowable on federally sponsored projects or projects supported by federal flow-through funds unless itemized and justified in the proposal and approved in advance by the sponsoring agency as necessary for the successful conclusion of the project. These items may be purchased as necessary to further the PI's research with funds from the PI account, or residual funds remaining after completion of a fixed-price contract.

## **5. HOME INTERNET CONNECTIONS:**

The cost of home internet connections is not normally allowed as a direct cost to any KUCR funding except in cases where the connection is a requirement for the successful completion of a project, and not merely a convenience to the employee. These cases are assumed to be very rare and will require the approval of the employee's applicable Dean, Director, or Chairperson.

## **6. HOSPITALITY:**

Non-sponsored project funds may be used for official university hospitality expenses and will be processed provided the voucher documentation includes the who (specify names and business relationship if not clear), why, where, what and when of the event, and indicates the nature of the business discussion or activity. It is the responsibility of the college and/or department/center to explicitly state the business purpose on all expenditure transaction vouchers authorizing payment of costs associated with employee related events.

The college and/or department/center should determine when non-restricted funds may be used for the purchase of coffee, soft drinks, doughnuts, or other food for university meetings with a KU business purpose. In general, such business meetings include staff external to the hosting department and the meetings are pre-planned or are held over lunch/dinner due to other scheduling conflicts.

## **7. MEMBERSHIPS and SUBSCRIPTIONS:**

Institutional memberships that serve a broader than individual purpose, such as the American Council on Education, the Institute of Electrical and Electronics Engineers (IEEE) and other institutional association memberships should be made at the vice provost, college or departmental levels. Personal memberships in professional organizations may be paid from non-sponsored funding. Professional memberships that are required to be purchased for participation at a conference may be allowable. Memberships of a purely social nature are not allowable.

Journals or other professional materials relating to the unit's business purpose are allowable if included in an allowable cost of membership. Institutional and individual subscriptions to business, professional or technical journals are allowable costs on non-sponsored project funds.

It is the responsibility of the college and/or department/unit to assure that the authorization or expense of memberships and subscriptions conforms to university policy as well as with any sponsoring agency policies.

## **8. SALARIES FOR ADMINISTRATIVE PERSONNEL and OTHER DEPARTMENTAL EXPENSES**

Salaries for administrative or clerical services are not normally allowed to be charged to federal grants or contracts. However, there are some exceptions to this federal guideline if the specific situation meets the following exceptions (these exemptions are considered "unlike circumstances"):

- 8.1 Administrative or clerical costs must be budgeted and justified in the proposal and ultimately included in the award.
- 8.2 The administrative or clerical services need to be identified specifically to a project with a high degree of accuracy. Normally, a charge of less than 15% effort for an individual would be difficult to identify specifically to a project.

- 8.3 Whenever possible, personnel charged to federal grants or contracts should be responsible for specifically defined work that is scientific or technical in nature.

Additional circumstances where direct charging of the salaries of administrative or clerical staff to federal grants or contracts may be appropriate include: large complex programs, such as Program Projects or federally designated centers; projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, etc, such as clinical trials; projects that require making travel and meeting arrangements for large numbers of participants, such as conferences; projects with the principal focus of preparation and production of manuals and large reports, books, and monographs, excluding routing progress and technical reports; and projects that are geographically inaccessible to normal departmental administrative services, such as seagoing research vessels and other research field sites that are remote from campus. (For additional information see OMB Circular A-21, F.6.b.)

Administrative and clerical salaries may be allowed as direct expenses on non-federal projects if the sponsor does not impose any such limitations and they are justified and approved by the sponsor. These costs may be directly charged to non-restricted KUCR accounts.

## **9. SUPPLIES and GENERAL PURPOSE ITEMS**

Purchase of office supplies including paper, toner, pens, staples, folders, markers, postage, local telephone costs, or any other item that cannot be exclusively identified to a project are unallowable as direct costs on federally sponsored projects. Purchase of these general purpose items may be allowable on non-restricted KUCR accounts and some sponsored projects only if the sponsor has approved the costs as noted by inclusion on the awarded budget and are allowable by the sponsor's own guidelines.

General use items such as coffee, coffee pots, refrigerators, microwave ovens, etc. for employee use only may be allowable from non-federal, non-restricted funds if the use is shared and the appliance is in a common area.

***In addition to the above items, the following information may be relevant if the method of payment for items charged to KUCR accounts is by credit card:***

### ***KUCR CREDIT CARD TRANSACTIONS:***

The KUCR credit card program is designed to improve efficiency in processing transactions. The same rules of allowability apply as listed previously in this document, but source documents, such as packing slips, invoices, order forms, etc. need to be obtained and provided to KUCR by the card holder. Every transaction must have complete documentation.

Pre-approval for use of a KUCR credit card outside of the United States is required, as the cards are generally restricted from foreign currency usage for fraud-prevention reasons. With an advance request to KUCR Purchasing Office this restriction can be modified in certain cases. Please contact Financial Services (kucrpurchasing@ku.edu) at least two weeks prior to departure for a foreign destination to determine if the usage is allowed by the issuing bank and federal regulations.

**FOUR BASIC COST CONSIDERATIONS**  
**FOR SPONSORED PROJECTS SUBJECT TO OMB CIRCULAR A-21**  
**(Federal or Federal Flow-through Funds)**

**APPLICABILITY:** This policy covers all transactions that involve federal funds. This includes any sponsored projects directly awarded to KUCR and any funds received from a non-federal source that originated from a federal source. Many State of Kansas funds are federal flow-through funds and it is important to clarify the original source of funding prior to making expenditures. If you are uncertain of the source of funding, please contact your account representative in Post-Award Services at KUCR. It is the responsibility of the department or research administrative unit to determine whether or not expenditures on all federally-funded projects are reasonable, allocable, and allowable based on standards from OMB Circular A-21.

**GUIDANCE:** The Office of Management and Budget (OMB) is responsible for publishing costing principles applicable to federal funding. OMB Circular A-21 establishes principles for determining costs applicable to federal grants, contracts, and other agreements with educational institutions. The Circular in its entirety can be obtained from the following website:  
[http://www.whitehouse.gov/omb/circulars\\_a021\\_2004/](http://www.whitehouse.gov/omb/circulars_a021_2004/). The following definitions are excerpted from OMB Circular A-21:

- **REASONABLE COSTS:**

A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved, reflect the action that a prudent person would have taken under circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are:

- (1) whether or not the cost is of a type generally recognized as necessary for the operation of the institution [typically F&A costs] or the performance of the sponsored agreement [direct costs];
- (2) the restraints or requirements imposed by such factors as arm's length bargaining, Federal and State laws and regulations, and sponsored agreement terms and conditions;
- (3) whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government, and the public at large; and,
- (4) the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

- **ALLOCABLE COSTS:**

A cost is allocable to a sponsored agreement if the goods or services are chargeable or assignable to the project in accordance with relative benefits received or other equitable relationship. Subject to this, a cost is allocable if:

- (1) it is incurred solely to advance the work under the sponsored agreement,
- (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through the use of reasonable methods, or
- (3) it is necessary to the overall operation of the institution and...it is deemed to be assignable in part to sponsored projects.

- **CONSISTENT APPLICATION:**

Costs must be treated consistently in like circumstances under generally accepted accounting principles. This means that all costs incurred for the same purpose, in like circumstances, must be treated as either a direct costs only or as an F&A (indirect) costs only. This requirement is applicable to all sponsored projects including grants, contracts, and cooperative agreements, and must also be applied to estimating costs in proposals for all types of instruments, including fixed-price contracts. For additional information on this topic please refer to the Cost Accounting Standards for Educational Institutions, CAS 9905.501.

- **LIMITATIONS ON ALLOWANCE OF COSTS:**

Costs must conform to limitations or exclusions set forth in OMB A-21 or the sponsored agreement. When the maximum amount allowable under a sponsored agreement is less than the total amount allowable in accordance with the principles in OMB A-21, the amount that is not recoverable may not be charged to other sponsored agreements. Any costs allocable to activities by industries, foreign governments or other sponsors may not be shifted to federally-sponsored agreements. Costs incurred as a result of overruns or other fund considerations, to avoid restrictions imposed by law or by the terms of the sponsored agreement, may not be shifted to federal funds.