

Procedures on Federal Cost Principles - Determining the Allowability of Costs for Sponsored Projects

Responsible Offices: Division of Graduate Education and Research
Office of Sponsored Research and Programs
Contracts and Grants Office
Division of Administration and Finance

Sections	Page
Overview	1
Policy Statement	2
Scope	2
Purpose	3
Definitions	3
Procedures	6
Hierarchy of Legal Authorities	6
Basic Regulations and Standards Affecting Costs	7
Factors Affecting the Allowability of Costs	8
Selected Items of Cost	10
Costs Not Covered in the Cost Principles	11
"Flow Through" to Subawardees	11
Pre-Award	12
Budget Development	12
Budget Review	12
Post-Award	13
Spending Decisions	13
Documenting Costs	13
Explicit Documentation Standards	14
Implicit Documentation Standards	14
Standards and Best Practices for Cost Documentation	14
Retention of Documentation	15
Common Questioned Costs	15
Non-Compliance	16
Related Information	17
Contact information	18
Appendices	
Appendix A - Selected Items of Cost by Cost Principle	
Appendix B - Applicable OMB Administrative Requirements by Recipient Type	
Applicable "Flow Through" Requirements for Subrecipients	
Appendix C - Applicable Cost Principle "Flow Through" for Subrecipients*	
Appendix D- National Policy Requirements	

Overview

North Carolina Central University conducts a significant level of research and training that is sponsored by the federal government. The Federal government generally supplies the recipient of a federal grant or contract with the funds necessary to cover the expenditures directly associated with a sponsored project. In addition, the federal government will

reimburse the University for the indirect expenditures necessary to create and maintain the environment in which the research is conducted. Costs under a federally sponsored award consist of the allowable direct costs incident to its performance, plus the allocable portion of the allowable F & A costs. There are other expenditures, however, that the federal government deems inappropriate and will not reimburse. These categories of costs are known as "unallowable costs." The term "unallowable" is defined by the federal government and is for the purpose of complying with federal costing regulations only. These categories are identified by the U.S. Office of Management and Budget (OMB) in either regulations or circulars. The primary document containing federal cost regulations for universities is Title 2 of the Code of Federal Regulations, part 220 (2 C.F.R, part 220.) 2 C.F.R. part 220 describes the costs that are normally allowable for reimbursement under federal awards (allowable costs) and the costs that are not normally eligible for reimbursement (unallowable costs). Under federal regulations, unallowable costs cannot be charged to federal awards.

Payments under most federal awards to educational institutions are on a cost reimbursement basis. This applies to F & A costs such as administration, support, facilities, and services as well as costs charged directly to sponsored projects.

Policy Statement

It is the University's responsibility to establish a proposal review pre-award process that identifies and removes from sponsored project proposals prior to submission to the sponsoring agency any unallowable costs categories and to maintain an accounting system that clearly identifies and segregates unallowable cost categories so that they will be excluded from the University's requests for cost reimbursement.

Scope

These procedures apply to

- (1) All University academic or administrative departments that have federal sponsored project awards; and
- (2) All departments that charge for goods or services, or are included in the Facilities and Administrative (F&A) cost rate calculation, such as administrative departments, facility departments, computing departments, the library system, the health service, and other service departments, or internal service organizations or providers.

It is the responsibility of principal investigators, deans, department chairs, administrative department directors and vice chancellors to understand and comply with these procedures.

Purpose

These procedures have been established to meet the compliance standards set forth in 2 C.F.R. part 220 (formerly OMB Circular A-21), "*Cost Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Education Institutions.*"

Audit findings, financial penalties, expenditure disallowances, and harm to the University's reputation could result from failure to comply with the accurate identification and treatment of sponsored project costs and expenditures.

Definitions

2 C.F.R. part 220 (formerly OMB Circular A-21) (*Most recent OMB Circular A-21 revision was May 10, 2004; OMB moved to Title 2 of the Code of Federal Regulations in August 2005*) - The set of uniform regulations, commonly known as "cost principles," that the University must follow when charging costs to grants, cooperative agreements, contracts and other agreements with educational institution. Each federal agency implements these regulations in its own policy handbook; however, the agency cannot impose regulations or guidelines that are inconsistent with 2 C.F.R part 220 or impose additional requirements.

Allocate - To assign an item of costs, or a group of items of cost, to one or more sponsored project awards, function (research, instruction, administrative) or subdivision (division, college, school, department, unit, etc.) (adapted from "*Cost Accounting Standards*").

Allocable Costs - A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. To be allocable the cost must be treated consistently with other costs incurred for the same purpose in like circumstances and if it (1) is incurred specifically for the sponsored project award; (2) benefits both the sponsored project award and other work and can be distributed in reasonable proportion to the benefits received; or it is necessary to the overall operation of the organization, although a direct relationship to a particular cost objective cannot be shown.

Any costs allocable to a particular sponsored project award or other cost objective may not be shifted to other sponsored project awards in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored project award, or for other reasons of convenience.

Allowable Costs - Costs that are allocable, reasonable and necessary, and given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and conform to any limitations or exclusions set forth in *2 C.F.R. part 220* or in the sponsored project award's terms and conditions as to types or amounts of cost items. *2 C.F.R. part 220, Section C2.*

Effective: July 1, 2010

Conflict of Interest - Exists when the employee, officer or agent; any member of his her immediate family; his or her partner; or an organization that employs or is about to employ any of the above; has a financial or other interest in the organization selected for a contract or grant award.

Common conflicts of interest situations include:

1. Buyer/vendor situations
2. Employee/applicant situations
3. Client/consultant arrangements
4. Service provider/beneficiary situations; or
5. Lessee/lessor situations.

Contract - An agreement between the University and another entity with specific obligations for both the sponsor and the recipient where the sponsor is seeking to procure a product or service, has more involvement, and uses the project to achieve a specific outcome or deliverable. In general, contracts contain a more precisely stated expectation than grants of a definable work product or service on some set schedule as a condition of payment.

Cooperative Agreement - An agreement where the sponsor has substantial involvement in the project and the work is conducted by both the sponsor's employees and the principle investigator.

Direct Costs - Those costs that can be "identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy." *2 C.F.R. part 220, Section D1.*

Common direct costs include:

1. Salaries and Wages/Fringe Benefits for faculty, technicians, scientists, research assistants, post-doctoral associates, or other technical and programmatic personnel who are necessary to meet the goals of the project.
2. Scientific and Technical Equipment Computer Costs
3. Long-Distance Telephone Charges
4. Maintenance Agreements
5. Materials
6. Participant Expenses
7. Rent
8. Supplies
9. Services Obtained (i.e., Animal Care, Consultants, Internal Service Organizations)
10. Subgrants/Subcontracts
11. Subject Costs

12. Travel

Direct costs allocated to a particular sponsored project award will be reimbursed by the federal government if they are also allowable and reasonable under the applicable cost principles.

A cost may not be assigned to a sponsored project award as a direct cost if another cost incurred for the same purpose, in similar circumstances, has been allocated to the award as an F & A cost.

Disallowed Costs - Those questioned costs associated with an audit finding that the sponsoring agency has determined should not have been charged to the sponsored program.

Facilities and Administrative (F & A) Costs- The term used by educational institutions for F & A costs that describes costs that are incurred for common or joint objectives and therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity.

Common F & A costs include:

1. Salaries and Wages/Fringe Benefits for clerical, personnel and accounting administration and administrative positions;
2. Recipient-sponsored project administration;
3. Costs of operating and maintaining facilities (i.e., Utilities Repair & Maintenance of Buildings, Grounds, Building Equipment, Remodeling, Janitorial Services, Sanitation Services, etc.)
4. General administration and expenses (i.e., Photocopying for general business use, postage for general business use, Telephone, Cell phones, Pagers, Memberships; Subscriptions, Library Books, Periodicals; Office Supplies; Equipment);
5. Depreciation or use allowances on buildings and equipment;

F & A costs under a sponsored project award are reimbursable based on the University's negotiated F & A cost rate.

A cost may be assigned to a sponsored project award as an F & A cost if another cost incurred for the same purpose, in similar circumstances, has been allocated to the award as an F & A cost.

F & A Cost Rate - A composite rate applied as a ratio or percentage of sponsored project's direct costs to recover the University's F&A costs, using known in business and industry as "overhead." The rates for research and other sponsored program activities are developed by the University in accordance with 2 C.F.R. part 220 and negotiated on behalf of all federal agencies with the University's cognizant agency, the Department of Health and

Effective: July 1, 2010

Human Services (DHHS). Absent a statutory prohibition or limit on F & A costs, all federal agencies must accept the rate negotiated by the cognizant agency.

Grant - A pledge of support where the sponsor has little involvement in conducting the project and generally is given to the University with a purpose to support instruction, research or public service.

Indirect Costs - See Facilities and Administrative (F&A) Costs.

Indirect Cost Rate - See F&A Cost Rate.

Less-than-Arms-Length Transaction - A transaction over which one party to the transaction is able to control or substantially influence the actions of the other party. These transactions are not entirely prohibited, but must be very carefully addressed to ensure that federal funds are not misused.

OMB Circular A-21 - See *2 C.F.R. part 220*.

Questioned Costs- Costs that are questioned by an auditor because of an audit finding: (a) that resulted from a violation or possible violation of a provision of a law, regulation contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds, (b) for which the costs, at the time of the audit, are not supported by adequate documentation, or (c) for which the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances. Generally, identification of questioned costs following an audit does not determine whether these costs will be disallowed. OMB Circular A-133.

Reasonable Cost - A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. *2 C.F.R. part 220, Section C3*.

Sponsor or Sponsoring Agency - The organization that funds a project via a contract, grant or cooperative agreement, or other award agreement.

Sponsored Project or Sponsored Program - An externally-funded activity that is funded by a governmental agency, corporation, or private foundation, and is governed by specific terms and conditions.

Sponsored Project or Sponsored Program Award - Funding from an external entity such as a governmental agency, corporation, or private foundation for an activity with a defined scope and purpose undertaken by the University with the expectation of an outcome or something of value that directly benefits the sponsor.

Unallowable Cost - Any cost which, under the provisions of any pertinent law, regulation or sponsored project award cannot be included in prices, costs reimbursement, or settlements under a sponsored project award to which it is allocable.

Procedures

Hierarchy of Legal Authorities

Federal agency actions are governed by three levels of authority: statutes, agency regulations published in the Code of Federal Regulations, and their own internal policy guidelines. Authorities that affect recipients and their sponsored project awards, listed in general order of precedence, are legislation, regulations and then sponsored project award terms and conditions. Statutes are superior to regulations and statutes and regulations are superior to policies, procedures and guidelines. Lower authorities cannot overrule higher authorities.

Basic Regulations and Standards Affecting Costs

A. 2 C.F.R. part 220

The basic regulations for ascertaining the costs of federally sponsored programs at the University are set forth in the Office of Management and Budget (OMB) cost principles, 2 C.F.R. part 220 (formerly OMB Circular A21), "Cost Principles for Educational Institutions and Hospitals." 2 C.F.R. part 220 establishes principles for determining costs applicable to sponsored project awards, contracts and other agreements with educational institutions. They establish maximum requirements that the federal government can request; the minimum standards the University must meet; provides principles for allowable and unallowable costs; provides specific rules and definitions for selected costs; establishes requirements for F & A costs, and service center (internal service organizations) rates.

B. Cost Accounting Standards (CAS) In addition, the Cost Accounting Standards (CAS) were incorporated into the cost principles and require the University to comply with four standards:

1. CAS 501 - Consistency in Estimating, Accumulating and Reporting Costs - Requires consistency between federal and non-federal proposal budgets in the way costs are proposed, accumulated and reported.
2. CAS 502 - Consistency in Allocating Costs for the Same Purpose - Requires consistency in allocating costs incurred for the same purpose, including describing a cost as something other than what it is or charging a cost that benefits multiple activities (sponsored and non-sponsored) exclusively to sponsored projects.
3. CAS 505 - Accounting for Unallowable Costs - Requires an accounting of unallowable costs for the F & A Rate proposal.
4. CAS 506 -- Cost Accounting Period - Requires consistency in the use of the same accounting periods for federal and non-federal activities.

- C. *Generally Acceptable Accounting Principles (GAAP)* - In addition, the University follows generally accepted accounting principles, (GAAP or US GAAP). These are accounting rules used to prepare, present, and report financial statements.
- D. *Disclosure Statement (DS-2)* - In addition, the University must follow its own policies related to cost allocation as described in the Disclosure Statement (DS-2) to the University's cognizant agency.
- E. *National Policy Requirements* - The University is required to follow sponsoring agency's requirements for compliance with national policies that affect grants management. Most of these requirements are established by law and implemented and enforced through regulations. National policy requirements may be categorized according to applicability: (1) to most or all types of sponsored projects; (2) primarily to research sponsored projects; and (3) primarily to construction sponsored projects. (Appendix D)

The University is generally notified of a sponsoring agency's requirements for compliance with these public policy issues through sponsored project award terms and conditions, or through assurance and certifications submitted with grant applications. However, whether the University is specifically notified of the applicable laws and regulations, compliance is still required.

- F. *OMB Circular A-133* - Finally, the University should follow the Compliance Requirements (Part 3) and Internal Control guidelines (Part 6) from OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." OMB Circular A-133 defines requirements for an annual external audit of non-profits receiving federal funds for sponsored programs in excess of transactions; testing of compliance functions (i.e., effort reporting, cost sharing, and cost transfers etc.)

Factors Affecting the Allowability of Costs

All costs must be allowable under federal regulations and sponsoring agency terms and conditions, including program-specific requirements and University policies and procedures. Typical costs charged directly to a sponsored project include:

- A. Compensation of employees for performance of work under the sponsored project, including fringe benefits costs;
- B. Costs of materials consumed or expended in the performance of the sponsored project;
- C. Travel in accordance with the University's policy;
- D. Other allowable items of expense incurred for the sponsored project in accordance with 2 C.F.R. part 220 and the terms and conditions of the sponsored project award.

Costs of materials from stock/services rendered by internal service organizations may be included as costs under federally sponsored projects, provided such items are consistently

treated in similar circumstances as direct costs rather than F & A Costs; and charged under a recognized method of computing actual costs.

To be allowable must be:

A. Costs must be allocable.

ASK,

1. Is the cost incurred solely to advance the work under the sponsored project award;
2. Does the cost benefit both the sponsored project award and other work of the institution in proportions that can be approximated through the use of reasonable methods;
3. Is the cost necessary to the overall operation of the institution; and
4. In light of the applicable cost principles, is the cost assignable to a sponsored project?

Proportional Benefit Rule

If a cost benefits two or more sponsored projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit.

Interrelatedness Rule

If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted sponsored projects on any reasonable basis. Reasonable methods of allocating common use scientific items and supplies any include proportional benefit, specific anticipated use per award, FTEs on each award, lab square footage, high correlation to another lab cost that is clearly allocated, and modified total direct cost proportions (i.e., relative size of non-salary budget, excluding equipment, tuition and any subcontracts.).

In the rare instances in which a proper cost allocation cannot ultimately be determined using any reasonable methods, the cost may be charged to a single sponsored project.

Where the purchase of equipment or other capital items is specifically authorized under a sponsored project award, the amounts authorized for such purchases are assignable to the sponsored project award regardless of the use that may subsequently be made of the equipment or other capital items involved.

Any costs allocable to a particular sponsored project award under the standards provided in 2 C.F.R. part 220 may not be shifted to other sponsored project awards in order to meet deficiencies caused by overruns or other fund considerations to avoid restrictions imposed by law or by terms of the sponsored project award, or for other reasons of convenience.

Any costs allocable to activities sponsored by industry, foreign governments, or other sponsors may not be shifted to federally sponsored project awards.

B. Costs must be reasonable.

ASK,

1. Is the cost of types generally recognized as ordinary and necessary for the organization's operation or award performance?
2. What restraints or requirements are imposed by factors such as federal and state laws and regulations, generally accepted sound business practices and arms-length bargaining?
3. How does the cost compare to market prices for similar goods and services?
4. Did the individuals concerned act with prudence in the circumstances, considering their responsibilities to the University, its employees, its students, the government, and the public at-large?
5. Did the cost involved significant deviations from established practices of the organization which might unjustifiably increase costs charged to the award?
6. Is the extent of the actions taken with respect to the incurrence of the costs (i.e., hiring decision, choice of goods or services, determination of salary or price, vendor selection, etc.) consistent with established institutional policies and practices applicable to the work of the University generally, including the sponsored project?

C. Costs must be authorized and legal so that the Federal government only bears its fair share of costs except where restricted or prohibited by law.

D. Costs must conform to any limits or exclusions set forth in the applicable cost principles or the terms and conditions of the sponsored project award.

E. Costs must be consistency applied to both federal awards and other institutional activities.

F. Costs must be consistently treated as either direct costs or F & A Costs.

ASK,

1. Does the cost result in a direct benefit to a federal program?
2. Is it necessary to the overall operation of the University?
3. Can it be easily and accurately traced to the federal program?
4. Does it benefit more than one (1) federal program?
5. Is it normally charged as F & A?
6. Has the proportional benefit been calculated?

G. Costs must be determined in accordance with generally accepted accounting principles (GAAP) and costs accounting standards (CAS).

- H. Costs must not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- I. Costs must be net of applicable credits to the Federal government either as a cost reduction or cash refund, as appropriate.
- J. Costs must be adequately documented.

Selected Items of Cost

Each set of cost principles lists several items of costs and the limits on their allowability, if any, as well information on how certain costs should be allocated. (Appendix A) These lists can be found in the following sections of the respective cost principles:

- A. 2 C.F.R. part 220, Appendix A, Section J (formerly OMB Circular A-21, Section J) "*Cost Principles for Institutions of Higher Education*";
- B. 2 C.F.R. part 225, Appendix B (formerly OMB Circular A-87) "*Cost Principles for State, Local and Indian Tribal Governments*";
- C. 2 C.F.R. part 230, Appendix B (formerly OMB Circular A-122) "*Cost Principles for Non-Profit Organizations*";
- D. 45 C.F.R. part 74, Appendix E, Section IX.A and IX.B, "*Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals*";
- E. 48 C.F.R. part 31, "*Contract Cost Principles and Procedures.*"

The lists of selected items of cost are not comprehensive; rather, they are intended to cover the most common types of costs incurred by the types of recipients subject to each set of cost principles. Generally, in order to get the complete picture on the allowability of a particular cost, more than one cost principle provision must be reviewed.

Costs Not Covered in the Cost Principles

When a requested cost is not covered the cost principles, do the following:

- A. Find an analogous cost in the cost principles that could be reasonably compared to form the basis for a decision on allowability.
- B. Check another set of cost principles.
- C. Follow the principles of allocability, reasonableness, and allowability to determine whether it should be allowable.
- D. If the cost is determined to be unallowable, it must not be charged the cost to the grant or to the F & A cost pool.
- E. If you decide the cost should be allowable and wish to charge it to the sponsored project, state the case for your decision, in writing, with a description of the cost, your rationale for allowability, including documentation of the research conducted with complete citations, by emailing the Contracts and Grants Office

- who will then contact the sponsoring agency's grants officer and a request that he/she respond within a reasonable time (no less than 2 weeks). Wait the stated time, then if approval is received or at least, not denied, proceed with the purchase in accordance with the University's treatment of similar cost items (Appendix __) or ask the sponsoring agency to contact OMB to provide an interpretation.
- F. Retain proof of your contact to the grants officer and his/her response, if received. Make sure this is recorded in writing, as phone conversations regarding prior approval are harder to document and rarely able to be defended.

"Flow Through" to Subawardees (aka "Flow Down")

The requirements that apply to federal awards flow through to subawards based on order of preference. Order of preference refers to the general priority for applying authorities in case of a conflict among authorities documents. The applicable authorities are:

- A. The federal statute authorizing the grant program and any other federal statutes directly affecting performance of the sponsored project award (including the Transparency Act and Recovery Act, as applicable.);
- B. The program regulations;
- C. National policy requirements;
- D. Administrative regulations, including OMB circulars incorporated by reference.
- E. Applicable state laws and regulations;
- F. Application terms and conditions of the sponsored project award between the University and the sponsoring agency.

The administrative requirements, cost principles and audit requirements for discretionary programs and most mandatory programs apply by the type of organization. (Appendix B). The cost principles and audit requirements flow through consistently based on subrecipient type. Flow through of the administrative requirements is not as consistent and clear. (Appendix B).

Pre-Award

Budget Development

During the proposal development process, principal investigators must pay close attention to the allocation of funding to cost categories. Factors such as prior history with the agency, the cost amount, the size of the sponsored project, the length of the sponsored project award, agency oversight and complexity of the grant should be considered when determining whether a cost will be approved by the sponsoring agency, The cost principles serve an important function in the development of University sponsored project budgets and those of its subrecipients. Every cost in a budget should be scrutinized to determine whether, under the cost principles, which apply to the University or due to "flow through" requirements to subrecipients (Appendix C), the cost is allowable, allocable, reasonable, and necessary. If the cost fails any of the tests, it should be removed from the budget.

Budget Review

Because the cost principles do not discuss each and every potential item of cost, some interpretation may be necessary before a sponsoring agency will approve a cost for inclusion in the budget. This is especially likely when the cost involved is one that requires prior approval before it can be incurred. The Office of Sponsored Research and Programs is responsible for the review of proposal budgets to ensure that no unallowable costs are included in the proposal. The Pre-Award Manager shall communicate with the principal investigator to resolve any budgetary restrictions attributable to the cost principles, program announcement, application package, program regulations/guidelines, or University policies and procedures.

ASK,

1. Is the cost allocable?
2. Is it reasonable?
3. Is it necessary?
4. How has the cost been treated by the University under similar circumstances?
5. Has it been treated as a direct cost or an F & A cost?
6. Is the F & A cost rate the current rate?
7. Are there any caps?
8. Are F & A costs excluded or capped?
9. Are there any National Policy Requirements that may impact the amounts budgeted or project plans?
10. Is there any cost sharing/matching?

An approved budget does not necessarily mean that it is okay to expend the funds. Just because the categories of costs in a proposal's budget pages a, does not mean that the costs included in those categories are automatically allowable. Prior approval requirements and spending decisions still prevail over approved budgets.

Post-Award

Spending Decisions

Well-developed proposal budgets still require principal investigators to make daily spending decisions that may require judgments regarding allowability under the cost principles.

The Contracts and Grants Office is responsible for ensuring that the purchases are allowable, allocable, reasonable and necessary.

ASK,

1. Is the item/service needed for the sponsored project?
2. Is the item included in the approved sponsored project budget?
3. Do the costs benefit the grant in proportion to the amount charged?

4. Are the costs reasonable?
5. Are the costs allowable by the sponsoring agency's policy?
6. Are the costs allowable by the University's policies?
7. Does item exist elsewhere in our inventory? If so, can we *use* it for the sponsored project instead of buying another one?
8. Is there a less expensive alternative to purchase, for example, leasing?
9. Does the transaction present a conflict of interest?
10. Is the transaction a less-than-arms-length transaction?
11. Have in-kind donated contributions been properly valued?
12. Would you be comfortable explaining it to someone outside your organization?

Documenting Costs

One element of the definition of allowability is that costs must be "adequately" documented. 2 C.F.R. part 220, Appendix A, VVA.2.e. The documentation requirements of the cost principles include both explicit and implicit requirements.

A. Explicit Documentation Standards

1. Salaries and Wages - 2 C.F.R. part 220 provides explicit documentation standards regarding charges for salaries and wages.
 - a. Charges must be based on documented payrolls and approved by responsible University officials;
 - b. Time and Effort Reports, which must account of the total activity for which an employee is compensated, must reflect an after-the-fact distribution of the actual work performed by the employee. Time and Effort Reports must be prepared in accordance with the University's Time and Effort Reporting Procedures.
 - c. Budget estimates do not qualify as support for charges to sponsored project awards.

B. Implicit Documentation Standards

When the cost principles are not explicitly about requirements for documenting costs, they imply certain documentation requirements. Factors to consider include what constitutes sound business practices, what do the Cost Accounting Standards (CAS) and General Accepted Accounting Principles (GAAP) say about the cost.

C. Standards and Best Practices for Cost Documentation

1. Documentation that supports salary and actual effort expended on sponsored programs as reported on the Time and Effort Reports. Such documentation should include but is not limited to calendars, schedules, clinical time reports, project logs, outside activity forms, leave records, timesheets.
2. Documentation that links a cost incurred to the sponsored project award activity should be done by someone who is in a position to know the sponsored project award activities.

3. Only those costs that are included in the budget or re-budgeted costs with prior approval allowed by the sponsoring agency should be charged to the sponsored project award.
4. Maintain all prior approval documentation, including the Prior Approval Request Form, reflecting the prior approval decision.
5. Only actual costs may be charged to a sponsored project award.
6. Costs that are restricted or unallowable as indicated in the award notice, sponsoring agency guidelines, or cost principles may not be charged to a sponsored project award.
7. Credible documentation to support the identification and allocation of a cost among two or more sponsored projects based on its proportional benefit or interrelatedness must be maintained.
8. Purchases for a specific sponsored project award must identify the grants' fund number, account number on the requisition, purchase order, invoice or other payment document.
9. Long distance telephone and fax costs should be linked to the sponsored project award by means of a manual log or analyzing the long distance phone bill and allocating costs across state and non-state fund numbers.
10. With program income recordkeeping requirements, principal investigators shall maintain records that show evidence of receipts given to buyers, attendees, etc.; goods and services that generated the income; number of units sold and unit cost; information identifying buyers, attendees, etc.; fund name and fund number to which the funds were deposited (Program Income Accounting Summary); and copies of processed deposit forms and deposit receipts.

D. Retention of Documentation

Documentation must be maintained for a period of three (3) years following the date the final expenditure report is submitted to the sponsoring agency. State guidelines take precedence over federal document retention guidelines.

Time and Effort Reports will be kept on file in the Contracts and Grants Office for at least five (5) year after the grant, cooperative agreement or contract officially ends.

If any litigation, claim or audit is started before the expiration of the three-year period, the records must be retained until all issues are resolved and final action taken.

Common Questioned Costs

- A. *Generally* - Relationship of expenditure to grant not demonstrated; costs do not reflect correct account, amount and period.
- B. *Salaries* - Too high for position; too high for person's qualifications; too high compared to other position in the organization; exceeding the federal salary cap for certain federal agencies.
- C. *Level of Effort* - Time and Effort Reports do not reflect actual effect; grant is charged precisely the same percentage of salary as in the application budget suggesting the charges were based on estimates rather than after-the-fact reporting;

do not have the certification of a person with first-hand knowledge of the employees' grant related activities; no timesheets or timesheets that track grant time only and not all activities or timesheets with unreasonable consistency; deans or department heads using the simplified method for calculating administrative costs charge their full salary directly to the sponsored project rather allocating charges to indirect cost categories (double dipping); salaries are charged to a grant when similar salaries in like circumstances are treated as F & A costs.

D. *Fringe Benefits* - Not sufficiently documented; no policies and procedures for related to the eligibility for or treatment and application of fringe benefits; inconsistent application of fringe benefits policies.

E. *Contracts* - No signed contract agreements; federal national policy requirements are not included.

F. *Consultants* - No support for consulting rates.

G. *External Sales and Procurement* - No pricing or cost analysis, respectively.

H. *Less than Arms Length Leases* - One part to the lease agreement is able to control or substantially influence the actions of the other (i.e., Leases between divisions of an organization; entities under the common control of common officers, directors, or members; an organization and a director, trustee, officer, or key employee of the organization or his immediate family, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest.) NOTE: While not entirely prohibited, less-than-arms-length leases must be very carefully addressed to ensure that federal funds are not misused.

I. *Cost Sharing/Matching* - Accounting system does not capture cost sharing/matching efforts; insufficient documentation of cost sharing/matching efforts; lack of support for subrecipients cost sharing; unclear valuation of in-kind donated contributions.

J. *Program Income* - Costs do not reflect the same adherence to the cost principles as required of the main project grant.

K. *Cost Transfers* - *Cost transfers are used to manage grant award overruns or an allowability issue; transfer of costs for payroll and other direct costs are not completed timely.*

L. *F & A Cost/Cost Allocation Issues* - Charging costs as direct when they have been included in a F & A cost pool; double recovery (i.e., charging the costs as direct and including them in the F & A cost pool or including the costs in both the F & A cost rate and CAP;) failure to properly document F & A cost charges; improper billing rate; and improper allocation of F & A costs to all benefitting programs.

Non-Compliance

Non-compliance with the processes and procedures detailed in these Procedures can result in disallowed costs, reduction in funding, sanctions against the University, suspension or termination of a sponsored project award; debarment; and criminal penalties.

Effective: July 1, 2010

Related Information

2 C.F.R part 215.21(b)(6) (formerly OMB Circular A-110), "Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations," <http://www.whitehouse.gov/omb/circulars/a110/a110.html>

Sponsored Program Award Terms and Conditions

FDP National Policy Requirements Matrix
<http://www.nsf.gov/pubs/fdp/fdpopprocappb205.pdf>

DOD National Policy Requirements
http://www.onr.navy.mil/dodgars/docs/part22_0708_append_b.pdf

Disclosure Statement (DS-2)

OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"
<http://www.whitehouse.gov/omb/rewrite/circulars/a133/a133.html>

OMB Circular A433, "*Audits of States, Local Governments, and Non-Profit Organizations - Compliance Supplement, Part 3-Compliance Requirements, Allowable Costs/Cost Principles*" (March 2009), http://www.whitehouse.gov/omb/assets/a133_compliance/pt3.pdf

OMB Circular A-133, '*Audits of States, Local Governments, and Non-Profit Organizations - Compliance Supplement, Part 6-Internal Control, "A. Allowable and Unallowable Activities and B. Allowable Costs/Cost Principles*' (March 2009)
http://www.whitehouse.gov/omb/assets/a133_compliance/pt6.pdf

Cost Principles

2 CFR part 220 (formerly OMB Circular A-21) "Cost Principles for Institutions of Higher Education," http://www.whitehouse.gov/omb/fedreg/2005/083105_a21.pdf

(For the University's State, Local and Indian Tribal Government Subrecipients)

2 CFR part 225 (formerly A-87) "Cost Principles for State, Local and Indian Tribal Governments), http://www.whitehouse.gov/omb/fedreg/2005/083105_a87.pdf

(For the University's Non-Profit Organization Subrecipients)

2 C.F.R. part 230 (formerly OMB Circular A-122) "Cost Principles for Non-Profit Organizations" http://www.whitehouse.gov/omb/fedreg/2005/083105_a122.pdf

(For the University's Hospital Subrecipients or Subcontractors)

45 CFR part 74, Appendix E, "Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals"
<http://ecfr.gpoaccess.gov/cgi/t/text/text->

Effective: July 1, 2010

[idx?c=ecfr&sid=8b214334156e5c3dba9751c69f5426b8&rgn=div9&view=text&node=45:1.0.1.1.35.6.11.3.11&idno=45](http://www.ecfr.gov/cgi-bin/idx?c=ecfr&sid=8b214334156e5c3dba9751c69f5426b8&rgn=div9&view=text&node=45:1.0.1.1.35.6.11.3.11&idno=45)

(For the University's Federal Government or Commercial Organizations That Are Subcontractors) 48 CFR part 31, "Contract Cost Principles and Procedures"
<http://www.arnet.gov/far/current/html/FARTOCP31.html>

NCCU Basic Spending Guidelines for University Funds (June 2007)

UNC SPARC Document #1.0 (October 27, 2000) - *Defining Sponsored Programs NCCU "Procedures for Obtaining Mandatory Prior Approvals on Sponsored Projects"*

NCCU Procedures on *"Program Income Associated with Federal and Non-Federal Sponsored Projects"*

Contact Information

Division of Graduate Education and Research	919-530-6893
Office of Sponsored Research and Programs	919-530-7331
Contracts and Grants Office	919-530-5309
Office of Institutional Advancement	919-530-6965

Appendix A

LIST OF SELECTED ITEMS OF COST CONTAINED IN COST PRINCIPLES

(Amended effective June 9, 2004)

(from OMB Circular A-133 Compliance Supplement, Part 3-Compliance Requirements, March 2009)

Selected Items of Cost Exhibit 1 (amended 6/04)			
<i>Selected Cost Item</i>	<i>OMB Circular A-87, Attachment B State, Local, & Indian Tribal Gov'ts</i>	<i>OMB Circular A-21, Section J Educational Institutions</i>	<i>OMB Circular A-122, Attachment B Non-Profit Organizations</i>
Advertising and public relations costs	(1) Allowable with restrictions	(1) Allowable with restrictions	(1)-Allowable with restrictions
Advisory councils	(2)-Allowable with restrictions	(2) Allowable with restrictions	(2) Allowable with restrictions
Alcoholic beverages	(3)-Unallowable	(3)-Unallowable	(3)-Unallowable
Alumni/ae activities	Not specifically addressed	(4)-Unallowable	Not specifically addressed
Audit costs and related services	(4)-Allowable with restrictions and as addressed in OMB Circular A-133	(5)-Allowable with restrictions and as addressed in OMB Circular A-133	(4)-Allowable with restrictions and as addressed in OMB Circular A-133
Bad debts	(5)-Unallowable	(6)-Unallowable	(5)-Unallowable
Bonding costs	(6)-Allowable with restrictions	(7) Allowable with restrictions	(6)-Allowable with restrictions
Commencement and convocation costs	Not specifically addressed	(8)-Unallowable with exceptions	Not specifically addressed
Communication costs	(7)-Allowable	(9)-Allowable	(7)-Allowable
Compensation for personal services	(8)-Unique criteria for support	(10)-Unique criteria for support	(8)-Unique criteria for support
Compensation for personal services - organization-furnished automobile	Not specifically addressed	(10.g)- Unallowable for that portion of costs attributed to personal use	(8.g)- Unallowable for that portion of costs attributed to personal use

Selected Items of Cost Exhibit 1 (amended 6/04)			
<i>Selected Cost Item</i>	<i>OMB Circular A-87, Attachment B State, Local, & Indian Tribal Gov'ts</i>	<i>OMB Circular A-21, Section J Educational Institutions</i>	<i>OMB Circular A-122, Attachment B Non-Profit Organizations</i>
Compensation for personal services - sabbatical leave costs	Not specifically addressed	(10.f(4))- Allowable with restrictions	Not specifically addressed
Compensation for personal services - severance pay	(8)-Allowable with restrictions	(10.h)-Allowable with restrictions	(8.k)-Allowable with restrictions
Contingency provisions	(9)-Unallowable with exceptions	(11)-Unallowable with exceptions	(9)-Unallowable with exceptions
Deans of faculty and graduate schools	Not addressed	(12)-Allowable	Not addressed
Defense and prosecution of criminal and civil proceedings and claims	(10)-Allowable with restrictions	(13)-Allowable with restrictions (Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement)	(10)-Allowable with restrictions (Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement)
Depreciation and use allowances	(11)-Allowable with qualifications	(14)-Allowable with qualifications	(11)-Allowable with qualifications
Donations and contributions	(12)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)	(15)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)	(12)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)
Employee morale, health, and welfare costs	(13)-Allowable with restrictions	(16)-Allowable with restrictions	(13)-Allowable with restrictions
Entertainment costs	(14)-Unallowable	(17)-Unallowable	(14)-Unallowable
Equipment and other capital expenditures	(15)-Allowability based on specific requirements	(18)-Allowability based on specific requirements	(15)-Allowability based on specific requirements
Fines and penalties	(16)-Unallowable with	(19)-Unallowable with	(16)-Unallowable with

Selected Items of Cost Exhibit 1 (amended 6/04)			
<i>Selected Cost Item</i>	<i>OMB Circular A-87, Attachment B State, Local, & Indian Tribal Gov'ts</i>	<i>OMB Circular A-21, Section J Educational Institutions</i>	<i>OMB Circular A-122, Attachment B Non-Profit Organizations</i>
	exception	exception	exception
Fundraising and investment management costs	(17)-Unallowable with exceptions	(20)-Unallowable with exceptions (Fundraising)	(17)-Unallowable with exceptions
Gains and losses on depreciable assets	(18)-Allowable with restrictions (Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs)	(21)-Allowable with restrictions	(18)-Allowable with restrictions
General government expenses	(19)-Unallowable with exceptions	Not specifically addressed	Not specifically addressed
Goods or services for personal use	(20) Unallowable	(22)-Unallowable	(19)-Unallowable
Housing and personal living expenses	Not specifically addressed	(23)-Unallowable	(20)-Unallowable as overhead costs
Idle facilities and idle capacity	(21)-Idle facilities - unallowable with exceptions; idle capacity - allowable with restrictions	(24)-Idle facilities - unallowable with exceptions; idle capacity - allowable with restrictions	(21)-Idle facilities - unallowable with exceptions; idle - capacity allowable with restrictions
Insurance and indemnification	(22)-Allowable with restrictions	(25)-Allowable with restrictions	(22)-Allowable with restrictions
Interest	(23)-Allowable with restrictions	(26)-Allowable with restrictions	(23)-Allowable with restrictions
Interest - substantial relocation	Not specifically addressed	(26.b(6))-Possible adjustment in relocated within 20 years	(23.a(6)(d))-Possible adjustment in relocated within 20 years
Labor relations costs	Not specifically addressed	(27)-Allowable	(24)-Allowable
Lobbying	(24)-Unallowable	(28)-Unallowable with	(25)-Unallowable with

Selected Items of Cost Exhibit 1 (amended 6/04)			
<i>Selected Cost Item</i>	<i>OMB Circular A-87, Attachment B State, Local, & Indian Tribal Gov'ts</i>	<i>OMB Circular A-21, Section J Educational Institutions</i>	<i>OMB Circular A-122, Attachment B Non-Profit Organizations</i>
		exceptions	exceptions
Lobbying - executive lobbying costs	(24.b)-Unallowable	(28.h)-Unallowable	(25.d)-Unallowable
Losses on other sponsored agreements or contracts	Not specifically addressed	(29)-Unallowable	(26)-Unallowable (Losses on other awards or contracts)
Maintenance and repair costs	(25)-Allowable with restrictions (Maintenance, operations, and repairs)	(30)-Allowable with restrictions	(27)-Allowable with restrictions
Materials and supplies costs	(26)-Allowable with restrictions	(31)-Allowable with restrictions	(28)-Allowable with restrictions
Meetings and conferences	(27)- Allowable with restrictions	(32)- Allowable with restrictions	(29)-Allowable with restrictions
Memberships, subscriptions, and professional activity costs	(28)-Allowable as a direct cost for civic, community and social organizations with Federal approval; unallowable for lobbying organizations.	(33)-Unallowable for civic, community, or social organizations	(30)-Allowable for civic and community organizations with Federal approval; unallowable for social organizations.
Organization costs	Not specifically addressed	Not specifically addressed	(31)-Unallowable except Federal prior approval
Page charges in professional journals	(34.b)-Allowable with restrictions (addressed under "Publication and printing costs")	(39.b)-Allowable with restrictions (addressed under "Publication and printing costs")	(32)-Allowable with restrictions
Participant support costs	Not specifically addressed	Not specifically addressed	(33)-Allowable with prior approval of the Federal awarding agency
Patent costs	(29)-Allowable with restrictions	(34)-Allowable with restrictions	(34)-Allowable with restrictions
Plant and homeland security	(30)-Allowable with restrictions	(35)-Allowable with restrictions	(35)-Allowable with restrictions

Selected Items of Cost Exhibit 1 (amended 6/04)			
<i>Selected Cost Item</i>	<i>OMB Circular A-87, Attachment B State, Local, & Indian Tribal Gov'ts</i>	<i>OMB Circular A-21, Section J Educational Institutions</i>	<i>OMB Circular A-122, Attachment B Non-Profit Organizations</i>
costs			
Pre-agreement costs	(31)-Allowable with restrictions (Pre-award costs)	(36)-Unallowable unless approved by the Federal sponsoring agency	(36)-Allowable with restrictions
Professional service costs	(32)-Allowable with restrictions	(37)-Allowable with restrictions	(37)-Allowable with restrictions
Proposal costs	(33)-Allowable with restrictions	(38)-Allowable with restrictions	Not specifically addressed
Publication and printing costs	(34)-Allowable with restrictions	(39)-Allowable with restrictions	(38)-Allowable with restrictions
Rearrangement and alteration costs	(35)-Allowable (ordinary and normal); allowable with Federal prior approval (special)	(40)-Allowable (ordinary and normal); allowable with Federal prior approval (special)	(39)-Allowable (ordinary and normal); allowable with Federal prior approval (special)
Reconversion costs	(36)-Allowable with restrictions	(41)-Allowable with restrictions	(40)-Allowable with restrictions
Recruiting costs	(1.c)-Allowable with restrictions (addresses costs of advertising only)	(42)-Allowable with restrictions	(1)-Allowable with restrictions
Relocation costs	Not specifically addressed	(42.d)-Allowable with restrictions	(42)-Allowable with restrictions
Rental cost of buildings and equipment	(37)-Allowable with restrictions	(43)-Allowable with restrictions	(43)-Allowable with restrictions
Royalties and other costs for use of patents	(38)-Allowable with restrictions	(44)-Allowable with restrictions	(44)-Allowable with restrictions
Scholarships and student aid costs	Not specifically addressed	(45)-Allowable with restrictions	Not specifically addressed
Selling and marketing costs	(39)-Unallowable with exceptions	(46)-Unallowable with exceptions	(45)-Unallowable with exceptions
Specialized service	Not specifically addressed	(47)-Allowable with	(46)-Allowable with

Selected Items of Cost Exhibit 1 (amended 6/04)			
<i>Selected Cost Item</i>	<i>OMB Circular A-87, Attachment B State, Local, & Indian Tribal Gov'ts</i>	<i>OMB Circular A-21, Section J Educational Institutions</i>	<i>OMB Circular A-122, Attachment B Non-Profit Organizations</i>
facilities		restrictions	restrictions
Student activity costs	Not specifically addressed	(48)-Unallowable unless specifically provided for in the sponsored agreement	Not specifically addressed
Taxes	(40)-Allowable with restrictions	(49)-Allowable with restrictions	(47)-Allowable with restrictions
Termination costs applicable to sponsored agreements	(41)-Allowable with restrictions	(50)-Allowable with restrictions	(48)-Allowable with restrictions
Training costs	(42)-Allowable for employee development	(51)-Allowable for employee development	(49)-Allowable with limitations
Transportation costs	Not specifically addressed	(52)-Allowable with restrictions	(50)-Allowable
Travel costs	(43)-Allowable with restrictions	(53)-Allowable with restrictions	(51)-Allowable with restrictions
Trustees	Not specifically addressed	(54)-Allowable with restrictions	(52)-Allowable with restrictions

Appendix B

**APPLICABLE OMB ADMINISTRATIVE REQUIREMENTS
BY RECIPIENT TYPE**

Recipient Type	Administrative Requirements	Cost Principles	Audit Requirements
Educational Institution	2 C.F.R. part 215	2 C.F.R. part 220	OMB Circular A-133
State, Local, or Indian Tribal Government	OMB Circular A-102	2 C.F.R. part 225	OMB Circular A-133
Non-Profit Organization	2 C.F.R. 215	2 C.F.R. part 230	OMB Circular A-133
Hospital	2 C.F.R. part 215	The cost principles used by the sponsoring agency, usually 45 C.F.R. part 74, Appendix E	OMB Circular A-133
Commercial Organization	2 C.F.R. part 215	Federal Acquisition Regulation (FAR), 48 C.F.R. part 31.2	Commercial organization generally are not subject to the audit requirements affecting other recipient types

**APPLICABLE FLOW THROUGH REQUIREMENTS
FOR SUBRECIPIENTS**

Subrecipient Type	Pass-Through Type	Administrative Requirements	Audit Requirements
Colleges/University	States	2 C.F.R. part 215, State Requirements	OMB Circular A-133
	All Other Types	2 C.F.R. part 215	
States	All Types	OMB Circular A-102	OMB Circular A-133
Local or Indian Tribal Government	States	State Requirements	OMB Circular A-133
	Non-profit Organization, Universities, For-profit Organization	OMB Circular A-102	
Non-Profit Organization	States	2 C.F.R. part 215, State Requirements	OMB Circular A-133
	All Other Types	2 C.F.R. part 215	
For-Profit Organization	All Types	2 C.F.R. part 215, if federal agency applied OMB Circular A-110 to commercial organizations;	Requirements established by the pass-through entity, pursuant to OMB Circular A-133, §_.210(e)

Effective: July 1, 2010

		otherwise, pass-through entity requirements are presumed to apply	
--	--	---	--

Effective: July 1, 2010

Appendix C

**APPLICABLE COST PRINCIPLE FLOW THROUGH
FOR SUBRECIPIENTS**

If this type of organization receives a subaward from any recipient type,	then these cost principles apply:
Colleges/University	2 C.F.R. part 220 (formerly OMB Circular A-21)
State, Local or Indian Tribal Government	2 C.F.R. part 225 (formerly OMB Circular A-87)
Non-Profit Organization	2 C.F.R. part 230 (formerly OMB Circular A-122)
Hospital	The cost principles used by the sponsoring agency, usually 45 C.F.R. part 74, Appendix E
For-Profit Organization	Federal Acquisition Regulations (FAR), 48 C.F.R. part 31.2

Appendix D

NATIONAL POLICY REQUIREMENTS

NOTE: APPLICABLE TO MOST SPONSORED PROJECT AWARDS

REQUIREMENTS	DESCRIPTION
Civil Rights	Recipients must not discriminate on federally funded programs.
Labor Standards	Recipients must ensure that their labor practices and those of their subrecipients are both equitable and safe for employees of the recipient or subrecipient organizations.
Hazardous Materials	The requirements for handling and disposing of hazardous materials protect laborers and mechanics from unsafe exposure to such materials.
Debarment and Suspension	Protects public and private institutions from fraud, waste, and abuse by debarring or suspending those persons who deal with the federal government in an irresponsible manner.
Drug-Free/Smoke-Free Workplace	The drug-free requirements promote the national goal of reducing the use of illicit drugs. The smoke-free workplace requirements protect children from second-hand smoke in indoor facilities.
Procurement Procedures	Procurement activities must be performed in an equitable and competitive manner in an effort to promote equal treatment, efficiency, and economy in federal grant activities.
Conflict of Interest in Procurement	Ensures that federal funds do not support unethical contracting practices.
Conservation in Procurement	State and local governments must purchase recycled products per the list maintained by the Environmental Protection Agency.

Utilization of Underserved Businesses and Surplus Labor	Helps ensure the full participation of underserved business concerns (i.e., small, disadvantaged, and women-owned businesses).
Fly America Act/Domestic Protection	Recipients must use domestic carriers for domestic and international air travel whenever possible. Supply contracts in excess of the threshold must ensure that each end product is considered to have been substantially mined, produced, or manufactured in the United States.
Lobbying Restrictions	Intended to eliminate the use of federal funds to influence legislation or administrative rules.
Political Activity Restrictions	Intended to prevent any perceived or actual use of federal assistance funds for partisan political purposes.
Crimes and Prohibited Activity	Holds federal contractors, recipients, and agency employees accountable for any criminal or prohibited activities they engage in under federal programs.
Human Trafficking	Prevents assistance funding of organizations that engage in, or whose employees engage in, human trafficking.
Counterterrorism	Prohibits financial transaction with terrorist groups.
Publications and Copyrights	Federal awarding agency reserves a royalty-free, nonexclusive, and irrevocable license to obtain, reproduce, publish or otherwise use, and to authorize others to use works copyrighted under a grant for federal government purposes. Agencies may require acknowledgement of federal support in publications produced under grants.

Seat Belt Use	Designed to protect motor vehicle occupants from serious bodily injury. Federal contractors, subcontractors and recipients are encouraged to enforce on-the-job seat belt policies and programs for their employees while operating company-owned, rented or personally-owned vehicles.
---------------	---

NOTE: APPLICABLE PRIMARILY TO RESEARCH GRANTS

Requirements	Description
Protection of Human Subjects	Safeguards the rights and welfare of human subjects involved in research projects supported or conducted or otherwise regulated by a federal agency.
Care and Use of Animals	Ensures the welfare and humane treatment of warm-blooded vertebrate animals, marine mammals, and cold-blooded animals used in government-supported research activities.
Research Involving Recombinant DNA Molecules	The regulations specify practices for constructing and handling (1) recombinant deoxyribonucleic acid (DNA) molecules, and (2) organisms and viruses containing recombinant DNA molecules to ensure effective containment of any potentially hazardous material.
Biosafety in Laboratories	The Center for Disease Control and National Institute of Health Principles create a framework for running a research laboratory that minimizes the risk of exposure to potentially hazardous materials for laboratory workers and the outside community.
Conflict of Interest	Regulations prevent recipients of federal funds from using such funds in activities engaged in for their exclusive benefit.

<p>Patents</p>	<p>Clarifies the legal rights and expectation of recipients to any inventions or discoveries made with the aid of federal funds, and establish the government's right to use patented inventions funded by federal assistance for government purposes.</p>
----------------	--

NOTE: APPLICABLE PRIMARILY TO CONSTRUCTION GRANTS

<p>Requirements</p>	<p>Description</p>
<p>Environmental Requirements/Impact on Physical Environment and Animal Community</p>	<p>Several laws prevent and eliminate unnecessary damage to the environment and biosphere by requiring that major actions with federal involvement incorporate the potential environmental costs into the decision-making process. All reasonable alternatives, including a no action alternative, must be considered.</p>
<p>Historic Preservation</p>	<p>Intended to preserve historically significant districts, sites, buildings, and structures impacted by projects supported or licensed by the federal government.</p>
<p>Impact on Human Community</p>	<p>Applies to all federally assisted projects administered by state or local governments that entail acquiring real property or displacing people, businesses, or farms. (Uniform Relocation Assistance and Real Property Acquisition Policies Act.)</p>
<p>Construction Labor Standards</p>	<p>All laborers and mechanics employed by contractors and subcontractors under a federally involved or supported project receive certain wage guarantees. (Davis-Bacon Act)</p>
<p>Competition for Contracts under Construction Grants</p>	<p>Encourages or restricts recipients from considering labor union agreements in contracting under grants. (Varies according to Presidential policy.)</p>

Effective: July 1, 2010