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SECTION: Administration and Finance  
SUBJECT: Cost Accounting Standards (CAS)  
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Policy for: All Campuses  
Procedure for: All Campuses  
Authorized by: Leslie Brunelli  
Issued by: University Finance - Controller's Office

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I. Policy

A. General:

The University of South Carolina encourages participation in sponsored programs by members of its faculty and staff. Numerous federal agencies, private foundations, and private business firms offer support for sponsored programs. The University will serve as the Contracting Authority to facilitate support for faculty and staff participation in all sponsored programs. In this capacity, the University, its faculty, and staff will comply with all applicable laws, rules, and regulations governing sponsored program administration. No commitment to any entity involving University participation may be made by individuals without the concurrence of a signatory authority of the University.

B. Cost Policy:

All costs charged to federally-sponsored projects must be allocable, allowable, reasonable and necessary per the guidance in 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In accordance with the requirements of 2 CFR 200, the University of South Carolina will propose and charge all costs of sponsored programs as either direct costs or indirect costs only with respect to final cost objectives [1]. Identification with the work will be the determining factor in distinguishing whether costs will be charged directly or indirectly to a project. Costs will be considered direct charges whenever they can be specifically identified with a project or can be accurately assigned without undue effort or cost to two or more projects according to the proportionate benefit received by those projects. Where project costs may exceed recognized ceilings, total costs will continue to be identified specifically with the project for which they were incurred. Cost overruns will be managed with budget revisions and cash transfers.

The University will not shift or otherwise transfer costs in order to meet deficiencies caused by overruns or other fund restrictions, to avoid restrictions imposed by law or

contract terms, or other reasons of convenience. In every occurrence of cost allocation or transfer, the University will adequately justify the transaction in the accounting records.

The University recognizes unusual circumstances may arise during performance of sponsored work. In those unusual circumstances, the Office of Sponsored Awards Management (SAM), the principal investigator, and the departmental chair and/or dean, in conjunction with the Director of Contract and Grant Accounting, will review the project in question and consider any necessary changes in accordance with the University's policy, the policies of each sponsor, and the specifics of the agreement.

1. Final Cost Objectives are defined as any function, organizational subdivision, sponsored agreement, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capitalized projects, etc.

**Costs which are normally unallowable as direct costs on federal projects may be allowable as direct charges in certain cases:**

C. Office Supplies:

The cost of office supplies will normally be charged to departmental funds. Office supply costs may be charged directly to sponsored projects whenever they meet all of the following criteria:

1. The supplies will be used for a purpose other than normal university operations; and
2. Supply consumption will be greater than the routine level provided by academic departments; and
3. The use can be specifically identified with a sponsored program; and
4. The costs can be identified in a sponsor approved budget or in accordance with other recognized federal guidelines.

D. Administrative Salaries and Wages:

The cost of administrative salaries and wages will normally be charged to departmental funds. Administrative salary and wage costs may be charged directly to sponsored projects whenever they meet all of the following criteria:

1. The administrative and clerical help will be used for a purpose other than normal university operations; and
2. The task burden will be greater than the routine level provided by academic departments; and
3. The use can be specifically identified with a sponsored program; and

4. The costs can be identified in a sponsor approved budget or in accordance with other recognized federal guidelines.

E. General Purpose Equipment:

The acquisition cost of general purpose equipment specifically identified with one or more projects with relative ease and a high degree of accuracy will normally be charged directly to those projects at the time of purchase, provided the sponsor has approved the purchase of general purpose equipment.

F. Unallowable Costs:

1. General:

Unallowable costs are those costs which, under the provisions of any pertinent law, regulation, or agreement, cannot be included in prices, cost reimbursements, or settlements under a government sponsored grant or contract. Unallowable costs consist of expressly unallowable costs and unallowable directly associated costs. For example, alumni activity, bad debts, contingency funds, donations and contributions, entertainment, and lobbying costs are all unallowable as either direct or facilities and administrative (F&A) costs. Other costs that would normally be allowable (e.g. administration; operations and maintenance) become unallowable to whatever extent they are directly associated with expressly unallowable costs.

2. Policy:

The University will use the guidelines of 2 CFR 200.420 – 200.475 General Provisions for Selected Items of Cost and 2 CFR 200.402 – 200.411 Basic Considerations to identify unallowable costs. The determination of allowability in each case not specifically identified in the guidelines should be based on the treatment provided similar or related items of cost. Where there is a discrepancy between the provisions of a sponsored agreement and the provisions of 2 CFR 200, the agreement will govern. Unallowable costs cannot be charged to federal project accounts or cost sharing associated with those federal projects accounts. Unallowable costs will be charged to other institutional accounts which do not affect determination of F & A cost pools.

G. Consistency in Estimating, Accumulating, and Reporting Costs:

Sponsored program budgets will be established in the accounting system at a level of detail equal to or greater than the financial details of the award or the required financial reports. All budget changes should be recorded in the accounting system in a timely manner, at the same level of detail as the original budget. Whenever the detail of an award or its reporting requirements exceeds the limitations of or conflicts with the level of detail provided by general ledger system, the investigator, the departmental chair and/or dean, and the Office of Sponsored Awards Management (SAM) should prepare a simple table to align the cost categories in the award or reporting requirements with the

classifications in the accounting system. The departmental chair/or dean should be consulted prior to any re-budgeting that could affect indirect cost revenues for the department. Contract and Grant Accounting will use the table to align costs for reporting purposes.

H. Cost Accounting Period:

The University's cost accounting period is the same as its fiscal year; July 1 through June 30. All outstanding obligations are to be liquidated within 30 calendar days following the end of the fiscal year. Routine adjustments may be recorded in accounts for 60 calendar days following the end of the fiscal year. Afterwards, only those adjustments required by unusual circumstances will be recorded. Subsequent to the 30 day liquidation period, any adjustments proposed for costs incurred in prior accounting periods will be reviewed for propriety by Contract and Grant Accounting. Such adjustments will be recorded only upon the approval of Contract and Grant Accounting.

I. Specialized Service Facilities and Recharge Centers:

1. General:

Specialized service facilities and recharge centers are established for the purpose of providing goods and services to the University Community. The difference between the two is a matter of size and complexity. The accounting principles are the same for both. The University will refer to specialized service facilities and recharge centers collectively as service centers. Cost accounting principles for institutions of higher education require the total cost of service centers to be charged directly to users in proportion to their actual use of the services. Rate schedules cannot discriminate between sponsored and non-sponsored activities of the institution, including use by the institution for internal purposes. Rates should be designed to recover not more than the aggregate cost of the services over a long-term period. Accordingly, it is not necessary that the rates charged for services are equal to the cost of providing those services during any one fiscal year as long as rates are reviewed periodically for consistency with the long-term plan and adjusted when necessary.

2. Policy

Service center operations will be organized, budgeted, and administered to produce the services University users require and to recover their total costs of operations from the users. The Budget Office will identify all service centers operating within the University. Departments operating service centers will be responsible for rate setting, customer billing, budget monitoring, accounting, and recordkeeping for their centers.

Each service center will develop a usage rate schedule for the services it produces. Usage rates will be based on actual costs and measured units of output. Departments will maintain records adequate to substantiate the basis for the usage

rate. The following components will be identifiable in the composition of the rate: operating costs, facilities and administrative costs, depreciation expense.

The rates will be uniformly applied to all users including internal institutional use. Rates will be evaluated at least annually, but more often if necessary to avoid significant over/under charging of users. Contract and Grant Accounting will assist in rate development.

Service center operations will be financed with operating budgets funded by the usage charge. Anticipated costs, based on anticipated usage, will be the budget basis. Original budgets and revisions will be supported by usage rates adequate to fund the anticipated level of operations.

All revenue and expenses of the service center will be recorded in the general ledger system accounts assigned to the service center. Under no circumstances will revenue be recorded as a credit to an expense account. The Budget Office will assist in budget preparation and monitor budgets for adequacy.

In certain circumstances, users may be unwilling or unable to pay enough for a center to recover its full costs. In those cases, the respective University Vice President with budget authority for the center in question will consider the University's need for the facility and must be willing and able to provide funding subsidies adequate to finance the operations of those centers deemed vital.

Notwithstanding the users' ability to pay, usage rates must still be generated on the basis of full cost then discounted to an acceptable level when billed. In any instance of discounted rates, all users must receive the same discount. The discounted rate will be subsidized by funding from the account of the Vice President responsible for the service center. Subsidies will be provided through intra-institutional transfers in the general ledger system.

Some service centers will be required to provide certain services free of charge to certain users, primarily students. In those cases, the University will fund the costs of providing the service. The costs of providing services for no fee must be segregated from the costs of the services provided for a fee. In all cases, the service centers must avoid charging paying customers for any costs associated with non-paying customers.

Cost recoveries attributable to depreciation expense will be maintained in specially segregated accounts available only to the facility that incurred the costs. Expenses for equipment replacement or upgrade will be the only disbursements from these accounts.

The balance of the depreciation expense accounts and the portion of the usage rate attributable to the cost of depreciation will not be used when considering the adequacy of the rates for operating cost recovery.

The Controller's Office and Contract and Grant Accounting will develop the facilities and administrative (F&A) cost rate for the University. The F&A rate

will include the costs of providing facilities and administrative support to the service center. Service Centers will apply the Other Institutional Activities rate to their costs. The Business and Finance Office will charge the F&A rate to the service center based modified total direct costs. The costs attributed to departmental administration will be refunded to the service center.

Departments responsible for operating service centers will maintain records adequate to substantiate the following:

- a. Name of person and department responsible for the service.
- b. General ledger account numbers for internal customers being charged for the service.
- c. Description and cost of the services being performed.
- d. Names and addresses of the external customers being billed for services.
- e. Total volume of activity for University customers, including federal grants and contracts, and for external customers.
- f. Financial information necessary for computing billing rates.

J. Cost Overruns and Cost Sharing:

The budget for each sponsored program will be comprised of its total direct costs plus the total facilities and administrative (F&A) costs incident to its performance. In addition to normal direct costs (e.g., salaries and materials), total direct costs will include all mandatory and voluntary cost sharing (i.e., costs incurred in support of the project but not charged to the project sponsor). The amount of F&A costs to be reimbursed by a program sponsor is a revenue factor that should not be considered in the determination of the total cost budget of a project. Total F&A costs will be the product of total program direct costs and the current F&A cost rate.

K. Facilities and Administrative Cost Rate:

The Controller's Office will develop and maintain a system to annually calculate and report facilities and administrative costs. The calculating techniques will be in accordance with 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

II. Reason for Revision

Policy revised due to departmental reorganization, and departmental name changes.