In accordance with federal regulations, all investigators with a potential conflict of interest as described above will identify the fact and make complete disclosure of the conflict prior to submission of the proposal. Investigators will submit the Significant Financial Interest Disclosure Form to the Office of Grants and Sponsored Research with the submission of each external grant proposal.

Click here to download the Conflict of Interest Form

**D. Faculty Workload Assignment Policy**

The Faculty workload assignment policy and form were developed to track the time commitment of PI/PDs on sponsored projects. Tracking PI/PD time/effort ensures that a PI/PD’s effort does not exceed 100%. The Faculty Workload form is completed with the submission of each external grant proposal. See the complete Faculty Workload Assignment policy.

Click here to download the Faculty Workload Assignment Form

**E. Budget Development**

A proposed budget is simply a financial plan to accomplish the objectives outlined in the proposal narrative. It should include sufficient resources to fully execute the planned project.

Before you start preparing your budget:

- Review the funder’s guidelines
  - Identify grant restrictions
  - Determine if facilities and administrative (F&A) cost recovery is permitted and/or limited
  - Determine if cost share is required and if resources are available to meet this requirement.
- Review the proposal narrative and identify activities which require funding
- Assign activities to one of the following budget categories: salaries and wages, benefits, travel, supplies, contractual/consulting services, equipment, and other
- Estimate costs for each budget category
- Identify costs to be funded by the granting agency
- Identify costs to be funded with existing university resources (if required) and secure funding sources

**Cost Categories**

Costs may be classified as direct costs or facilities and administrative (F&A) costs.

Direct costs are 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.\(^1\)

Expenses that are allowable but do not meet the requirements of direct costs (easily identifiable with a high degree of accuracy) must be treated as F&A.\(^2\) F&A costs are also known as indirect costs.

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\(^1\) Section D.1. of OMB Circular A-21

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September 25, 2014
or overhead costs. Recovery of F&A costs does not generate revenue for the University, but reimburses the University for real costs that are incurred as a part of a sponsored project.

The University of Southern Indiana requires that F&A costs be included in the proposed budgets for grants and contracts when allowable. If a sponsor’s written policy or proposal guidelines place a limit on the percentage or amounts of F&A costs that may be recovered, then USI will request F&A costs in accordance with the sponsor’s requirements. **Otherwise all proposals should utilize the university’s federally negotiated rate on award type:**

<table>
<thead>
<tr>
<th>Award Type</th>
<th>F &amp; A rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>On campus grant, contract, or sponsored agreement</td>
<td>45% MTDC</td>
</tr>
<tr>
<td>Off campus grant, contract, or sponsored agreement</td>
<td>15% MTDC</td>
</tr>
</tbody>
</table>

**MTDC-** modified total direct cost (MTDC) base. MTDC includes salaries, wages, fringe benefits, materials, supplies, services, travel, and up to $25,000 of subgrants or subcontracts issued by the University to another organization. Capital equipment, rental of off-site facilities, tuition remission, scholarships, fellowships, and portions of subgrants or subcontracts in excess of $25,000 are excluded from the MTDC base.

**Federal and state regulations require that the approved F&A cost rate be applied consistently to all sponsored projects not only those funded by the federal government.** Failure to recover all costs reduces the university’s capacity to perform its core functions and undermines the potential benefits of sponsored projects to the institution. Click here for [Additional Information Regarding F & A Policies](#).

**Allowable and Unallowable Costs**
Costs must meet the following four criteria in order to be charged to a grant or project:

1. Expenses must be **allowable** by OMB Circular A-21, University policies, agency guidelines, and the grant agreement.²
2. Expenses are **allocable** to a specific grant when they directly benefit the project and can be accurately attributed to the project.³
3. Expenses are **reasonable** if a prudent person would be willing to pay the same amount for the product or service under similar circumstances.⁴
4. Expenses must be **consistently treated** as either direct cost or F&A when incurred for the same purpose.⁶

The following table indicates the general allowability of certain expenses. This listing is not all inclusive. Grant agreements may specifically allow expenses that are generally disallowed or vice versa. As a result, the final determination of allowability must be evaluated on a case by case basis.

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² Section B.4. of OMB Circular A-21
³ Section C.4.d.(1) of OMB Circular A-21
⁴ Section C.4.d.(1) of OMB Circular A-21
⁵ Section C.4.d.(1) of OMB Circular A-21
⁶ Section C.2 of OMB Circular A-21
<table>
<thead>
<tr>
<th>Items</th>
<th>Generally allowed as direct cost</th>
<th>Generally not allowed as direct cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and public relations</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Alumni activities</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Commencement costs</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Communication costs (telephone services, postage, etc.)</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Compensation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faculty</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Research assistants (including grad. assistants &amp; students)</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Technicians (including graduate assistants and students)</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Administrative employees</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Clerical/support staff</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Donations and contributions</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Entertainment and food costs</td>
<td></td>
<td>X</td>
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<tr>
<td>Equipment and other capital expenditures</td>
<td></td>
<td>X</td>
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<tr>
<td>Fund raising and investment costs</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Goods or services for personal use</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Housing and personal living expenses</td>
<td></td>
<td>X</td>
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<tr>
<td>Insurance required for a sponsored agreement</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Maintenance and repair costs</td>
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<td>X</td>
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<tr>
<td><strong>Material and supplies costs</strong></td>
<td></td>
<td></td>
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<tr>
<td>Laboratory and scientific supplies</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Office supplies</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Meetings and conferences</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Memberships and subscriptions</strong></td>
<td></td>
<td></td>
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<tr>
<td>Professional and technical organizations</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Civic, community, or social organizations</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Patent costs</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Proposal costs</td>
<td></td>
<td>X</td>
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<tr>
<td>Publication and printing costs</td>
<td></td>
<td>X</td>
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<tr>
<td>Rental costs of buildings and equipment</td>
<td></td>
<td>X</td>
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<tr>
<td>Scholarships and student aid costs</td>
<td></td>
<td>X</td>
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<tr>
<td>Selling and marketing costs</td>
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<td>X</td>
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<tr>
<td>Student activity costs</td>
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<td>X</td>
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<tr>
<td>Training costs</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Travel costs</td>
<td></td>
<td>X</td>
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</tbody>
</table>
Compensation

Compensation includes all amounts for salaries, wages, stipends, benefits, and any other form of payment for personal services to an individual through the university’s payroll system. Whether an individual can receive compensation from a grant depends on a number of factors, including employee category (faculty, administrative employees, or support staff) and appointment period (nine, 10, or 12 month appointments).

In general, individuals are not allowed to increase their compensation during the appointment period by working on a grant (see Supplemental Compensation section below for individuals on nine or 10 month appointments and other exceptions). Therefore, compensation expenses charged to a grant should be calculated as a percentage of time spent on all work-related activities for which the university compensates an individual during the project period.

The dollar value of effort should be computed using the OSPRA salary calculator (www.usi.edu/ospra) and the individual’s current annual base salary. For multi-year budgets or projects with a period of performance that crosses fiscal years, the budget for salaries and benefits should be increased by three percent for each subsequent year. Note that the three percent increase is only an estimate for budget purposes. The actual salary increases for individuals receiving compensation from grants is determined using the same process as all other university employees.

In the event the grant guidelines do not allow for 3% salary increase estimates or if salary increases are not included for some other reason, a memo stating the reasons must be submitted to OSPRA with the Sponsored Projects approval form, along with the proposal and other documents required prior to approval and submission.

Faculty compensation

A faculty member may charge a portion of his or her salary and benefits to a grant fund. The percentage charged to a grant fund should represent the actual work performed by the faculty member on the grant project compared to all work performed by the faculty member over a period of time.

Faculty on 12-month appointments

The contract period for faculty who are employed on a 12 month appointment is July 1 through June 30; therefore, any work performed by a faculty member on a 12 month appointment must be reflected as a percentage of his or her salary and benefits during that period of time (see Supplemental Compensation section below for exceptions).

Faculty on nine- or 10-month appointments

Faculty on 9 or 10 month contracts must calculate the portion of the salary attributable to a grant during the academic year in the same manner as faculty on 12-month appointments. The

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7 Section J.10.d.(1) of OMB Circular A-21
8 Section J.10.d.(1) of OMB Circular A-21
9 Section J.10.d.(1) of OMB Circular A-21
calculation differs, however, for effort expended on grant projects during the summer months since it is outside the contract period.\textsuperscript{10}

University policies govern summer teaching pay rates. Compensation to faculty members for summer teaching activities from grant funds is permissible provided the rate of pay is equal to or less than that paid to faculty for teaching that is not grant funded. Nine or 10 month faculty can also receive compensation for non-teaching activities attributable to a grant and performed during the summer, but the rate of pay must not exceed the faculty member’s rate of pay for the previous academic year. For example, a faculty member on a 10 month contract with a salary of $50,000 who will work full time on a grant-funded project for two months during the summer can earn $10,000. ($50,000 / 10 = $5,000 monthly salary x 2 months = $10,000.) Faculty members teaching a full load during the summer are not eligible for additional compensation.

Summer compensation rates may be further restricted by granting agencies and university policy.

**Administrative and Clerical Employees**

Grant budgets generally cannot include direct cost for compensation for administrative employees (including deans and heads of departments) or clerical employees (such as administrative assistants or other office staff) because these expenses are considered part of F&A costs.\textsuperscript{11}

In order for administrative and clerical salaries and wages to be included as direct costs instead of F&A, the budget submitted to the granting agency must disclose that the position is administrative or clerical and explain why funding is being requested for the expenses as a direct charge rather than F&A.

After the grant is awarded, the PI/PD can ask the Controller’s Office to seek explicit approval in writing from the grant/business officer of the granting agency. (Note that program officers are generally not authorized to permit exceptions to agreements or fiscal compliance policies and practices.)

**Supplemental Compensation**

Supplemental compensation is defined as extra compensation paid to an employee above his or her base pay, such as a stipend in addition to regular pay during the contract period. Individuals can only receive supplemental compensation from a grant for intra-university consulting if all of the following conditions are met:

- The consultation is across departmental lines or involves a separate or remote operation;
- The work performed by the consultant is in addition to his regular departmental load; and
- The extra compensation above the base salary is specifically provided for in the agreement or approved in writing by the sponsoring agency.

Note that all three of these conditions must be met in order for supplemental compensation to be allowed. In order to meet the last condition (written approval by the sponsoring agency), the

\textsuperscript{10} Section J.10.d.(1) of OMB Circular A-21

\textsuperscript{11} Section F.6.b.(2) of OMB Circular A-21
budget submitted to the granting agency must disclose that the compensation is in addition to the employee’s base salary and describe how the first two conditions of the test are satisfied. Alternatively, the PI/PD can ask the Controller’s Office to seek explicit approval in writing from the grant/business officer of the granting agency after the grant is awarded. (Note that program officers are generally not authorized to permit exceptions to agreements or fiscal compliance policies and practices.)

**Benefits**

When compensation for faculty, administrators, student workers, graduate assistants or new hires is included in the budget of an external proposal the benefits for that compensation must be included as well.

**Benefits for Faculty and Administrators:**

Benefits for all employees existing or new hire are dependent on the amount of effort they will be committing on the proposal. The amount of benefits budgeted for the proposal will be proportionate to the amount of compensation requested. Benefits for faculty, administrators, and support staff include the following:

- FICA
- Life Insurance
- Medical Insurance
- Dental
- Employee Assistance Program
- TIAA-CREF/PERF
- Long term disability
- Workman’s Compensation

**Student Workers:**

Student workers do not receive benefits like traditional employees; however, the university pays a portion of their FICA and this benefit must be budgeted for in proposal budgets. Students are exempt from FICA if they are enrolled. If they will be paid from a grant and will not be enrolled in classes FICA must be included in the proposal budget. FICA for students should be budgeted at 7.65% of the total wages requested.

**Cost Sharing**

Cost sharing, also referred to as matching, refers to the costs related to sponsored projects that are contributed by the university or a third party other than the granting agency. Shared costs can take the form of cash match or in-kind contributions and can be classified as either mandatory or voluntary.

Definitions of cash match and in-kind contributions may vary among agencies. In the absence of specific guidance, any cost that directly relates to a sponsored project and is absorbed by another university fund will be considered a cash match. Examples of cash matches include
salaries, wages, and supplies. The amounts to be allocated to other fund(s), orgn(s), and account(s) must be identified and listed on the sponsored projects approval form so that budget availability may be verified by the Budget Office, as required by the Provost.

Costs that directly relate to a sponsored project that are contributed by a third party (other than USI or the granting agency) will be considered in-kind contributions. Examples of in-kind contributions include goods or services provided by individuals, businesses, and other organizations in the community.

Cost sharing is considered mandatory when it is required by the agency as a condition of obtaining an award. Mandatory cost sharing requirements are generally addressed in the application instructions, request for proposal, program announcements, or agency guidelines.

Cost sharing that is not required by the granting agency, but offered in the proposal, is considered voluntary. It is important to note that voluntary cost share that is offered in the proposal budget or narrative becomes mandatory if the proposal is accepted by the agency and the grant is awarded. A separate fund will be created for the cost-share.

IMPORTANT: Because voluntary cost share strains finite university resources and reduces the ability to recover F&A costs, USI will contribute cost share only when it is required by the granting agency.

In the event a PI/PD feels that voluntary cost share is necessary, he or she must seek approval from the Provost by submitting a memo describing what is being volunteered (personnel time, equipment, etc.), an explanation of why it is necessary, the $ of the voluntary cost share, and an account number where the funds to pay for the cost share will come out of.

There may be instances when inclusion of administrative, academic, or programmatic support in the proposal narrative is necessary to provide context or explain the proposed activity. Below are examples of language that may be used to avoid the appearance of committed cost share in the proposal or budget narrative.

- Dean X will oversee all aspects of the project as a part of the facilities and administrative costs to be recovered.
- Professor X will provide expert advice on this project, but makes no specific commitment of time or salary to this particular project.
- The University of Southern Indiana will provide lab space and access to [specific] departmental equipment as a part of the facilities and administrative costs to be recovered.

According to OMB circular A-110, federal funds may not be used as matching funds on another federal grant without prior approval of the federal awarding agency. Similarly, unrecovered F&A costs may not be used to meet mandatory cost share requirements without prior approval of the awarding agency. All cost share funds are verified by the USI grant administrator with the Budget Office and a memo is sent with the proposal to the Office of the Provost for approval.