New Mexico Institute
Of Mining & Technology

COST ACCOUNTING STANDARDS BOARD

DISCLOSURE STATEMENT (CASB DS-2)

REQUIRED BY PUBLIC LAW 100-679

FOR

EDUCATIONAL INSTITUTIONS
<table>
<thead>
<tr>
<th>PART</th>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>General Information</td>
<td>I-1</td>
</tr>
<tr>
<td>II</td>
<td>Direct Costs</td>
<td>II-1</td>
</tr>
<tr>
<td>III</td>
<td>Indirect Costs</td>
<td>III-1</td>
</tr>
<tr>
<td>IV</td>
<td>Depreciation and Use Allowances</td>
<td>IV-1</td>
</tr>
<tr>
<td>V</td>
<td>Other Costs and Credits</td>
<td>V-1</td>
</tr>
<tr>
<td>VI</td>
<td>Deferred Compensation and Insurance Costs</td>
<td>VI-1</td>
</tr>
</tbody>
</table>
1. This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and persons completing it are to describe the educational institution and its cost accounting practices. For complete regulations, instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 of Title 48 CFR (48 CFR 9903).

2. Part I of the Statement provides general information concerning each reporting unit (e.g., segments, business units, and central system or group (intermediate administration) offices). Parts II through VI pertain to the types of costs generally incurred by the segment or business unit directly performing under Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). Part VII pertains to the types of costs that are generally incurred by a central or group office and are allocated to one or more segments performing under Federally sponsored agreements.

3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Parts I through VI.

4. Each central or group office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing under Federally sponsored agreements should complete the Cover Sheet, the Certification, Part I and Part VII of the Disclosure Statement. Where a central or group office incurs the types of cost covered by Parts IV, V and VI, and the cost amounts allocated to segments performing under Federally sponsored agreements are material, such office(s) should complete Parts IV, V, or VI for such material elements of cost. While a central or group office may have more than one reporting unit submitting Disclosure Statements, only one Statement needs to be submitted to cover the central or group office operations.

5. The Statement must be signed by an authorized signatory of the reporting unit.

6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code which describes the segment’s (reporting unit’s) cost accounting practices.

7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words "End of Part" should be inserted after the last entry.
<table>
<thead>
<tr>
<th>COST ACCOUNTING STANDARDS BOARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>REQUIRED BY PUBLIC LAW 100-679</td>
</tr>
<tr>
<td>EDUCATIONAL INSTITUTIONS</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>DISCLOSURE STATEMENT</td>
</tr>
<tr>
<td>GENERAL INSTRUCTIONS</td>
</tr>
</tbody>
</table>

8. Where the cost accounting practice being disclosed is clearly set forth in the institution's existing written accounting policies and procedures, such documents may be cited on a continuation sheet and incorporated by reference. In such cases, the reporting unit should provide the date of issuance and effective date for each accounting policy and/or procedures document cited. Alternatively, copies of the relevant parts of such documents may be attached as appendices to the pertinent Disclosure Statement Part. Such continuation sheets and appendices should be labeled and cross-referenced with the applicable Disclosure Statement item number. Any supplementary comments needed to fully describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when disclosed practices are changed to comply with a new CAS or when practices are changed with or without agreement of the Government (Also see 48 CFR 9903.202-3).

10. Amendments shall be submitted to the same offices to which submission would have to be made were an original Disclosure Statement being filed.

11. Each amendment should be accompanied by an amended cover sheet (indicating revision number and effective date of the change) and a signed certification. For all resubmissions, on each page, insert "Revision Number ____" and "Effective Date ____" in the Item Description block; and, insert "Revised" under each Item Number amended. Resubmitted Disclosure Statements must be accompanied by similar notations identifying the items which have been changed.
| 0.1 | Educational Institution: |
|     | (a) Name: New Mexico Institute of Mining & Technology |
|     | (b) Street Address: 801 Leroy Place |
|     | (c) City, State and ZIP Code: Socorro, NM 87801 |
|     | (d) Division or Campus of (If applicable) |
| 0.2 | Reporting Unit is: (Mark one.) |
| A. | X Independently Administered Public Institution |
| B. | __ Independently Administered Nonprofit Institution |
| C. | ___ Administered as Part of a Public System |
| D. | ____ Administered as Part of a Nonprofit System |
| E. | ____ Other (Specify) |
| 0.3 | Official to Contact Concerning this Statement: |
| (a) | Name and Title: Arleen Valles, Director of Finance |
| (b) | Phone Number: (505) 835-5162 |
| 0.4 | Statement Type and Effective Date: CASB DS-2; July 1, 2006 |
| A. | Mark type of submission. (If a revision, enter number) |
| (a) | X Original Statement |
| (b) | ___ Amended Statement; Revision No. ______ |
| B. | Effective Date of this Statement: (Specify) **July 1, 2006** |
| 0.5 | Statement Submitted To (Provide office name, location and telephone number, include area code and extension): |
| A. | Cognizant Federal Agency: Office of Naval Research San Diego Regional Office (619) 221-5600 |
| B. | Cognizant Federal Auditor: Defense Contract Audit Agency Salt Lake City Branch Office (801) 975-3555 |
CERTIFICATION

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above-named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. § 422.

Date of Certification: 11-29-06

(Signature)

Lonnie Marquez
(Print or Type Name)

Vice President for Administration and Finance
(Title)

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE IS PRESCRIBED IN
18 U.S.C. § 1001
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.0</td>
<td><strong>Description of Your Cost Accounting System</strong> for recording expenses charged to Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</td>
</tr>
<tr>
<td>A.</td>
<td>Accrual</td>
</tr>
<tr>
<td>B.</td>
<td><strong>X</strong> Modified Accrual Basis 1/</td>
</tr>
<tr>
<td>C.</td>
<td><strong>X</strong> Cash Basis</td>
</tr>
<tr>
<td>Y.</td>
<td>Other 1/</td>
</tr>
</tbody>
</table>

*All non-grant funds use modified accrual accounting. All grant funds strictly use cash accounting.*

<table>
<thead>
<tr>
<th>1.2.0</th>
<th><strong>Integration of Cost Accounting with Financial Accounting.</strong> The cost accounting system is: (Mark one. If B or C is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td><strong>X</strong> Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.)</td>
</tr>
<tr>
<td></td>
<td><em>NMT does not use subsidiary accounts of any kind.</em></td>
</tr>
<tr>
<td>B.</td>
<td>Not integrated with financial accounting records (Cost data are accumulated on memorandum records.)</td>
</tr>
<tr>
<td>C.</td>
<td>Combination of A and B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.3.0</th>
<th><strong>Unallowable Costs.</strong> Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td><strong>X</strong> Specifically identified and recorded separately in the formal financial accounting records. 1/</td>
</tr>
<tr>
<td></td>
<td><em>Unallowable costs are recorded in specific cost codes within the account structure.</em></td>
</tr>
<tr>
<td>B.</td>
<td>Identified in separately maintained accounting records or workpapers. 1/</td>
</tr>
<tr>
<td>C.</td>
<td>Identifiable through use of less formal accounting techniques that permit audit verification. 1/</td>
</tr>
<tr>
<td>D.</td>
<td>Combination of A, B or C 1/</td>
</tr>
<tr>
<td>E.</td>
<td>Determinable by other means. 1/</td>
</tr>
<tr>
<td>Item No.</td>
<td>Item Description</td>
</tr>
<tr>
<td>---------</td>
<td>------------------</td>
</tr>
</tbody>
</table>
| 1.3.1   | **Treatment of Unallowable Costs.** (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)  
*Refer to narrative “Reviewing for Federally-Defined Allowable and Unallowable Costs” under Sponsored Research Policies and Procedures (Exhibit A).* |
| 1.4.0   | **Cost Accounting Period:** July 1 to June 30 (Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements, e.g., 7/1 to 6/30. If the cost accounting period is other than the institution’s fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.) |
| 1.5.0   | **State Laws or Regulations.** Identify on a continuation sheet any State laws or regulations which influence the institution’s cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.  
*The State of New Mexico administers the Educational Retirement Association. Membership by educational employees is mandatory and the state sets the level of the Institute’s contribution at a percentage of all salaries and wages.*  
*The State of New Mexico sets equipment capitalization levels by law. State law currently set the capitalization limit at $5000.00. However, in order to comply with the regulations set by the New Mexico Department of Higher Education, all equipment items costing $1000.00 or more up to $4999.99 and having an expected life of two or more years are recorded in a separate accountability report for asset safeguarding and management purposes. All equipment items costing $5000.00 or more and having an expected life of two or more years are capitalized.* |

END OF PART I

1/ Describe on a Continuation Sheet.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
</tr>
</thead>
</table>

**Instructions for Part II**

Institutions should disclose what costs are, or will be, charged directly to federally sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.

2.1.0 **Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.** (For all major categories of cost under each major function or activity such as, instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.) Refer to narrative entitled “Budgeting, Pricing and Charging Sponsored Agreements”, Section II-Definitions, paragraph A) Direct Costs, paragraph B) Indirect Costs and paragraph C) Major Project or Activity (Exhibit A). Continuation pages 1 and 2 of 12.

2.2.0 **Description of Direct Materials.** All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies.) Refer to narrative entitled “Budgeting, Pricing and Charging Sponsored Agreements”, Section III-Direct Technical Costs, paragraph C) Supplies and Expenses (Exhibit A). Continuation page 5 of 12.

2.3.0 **Method of Charging Direct Materials and Supplies.** (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

2.3.1 **Direct Purchases for Projects are Charged to Projects at:**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Actual Invoiced Costs</td>
</tr>
<tr>
<td>B.</td>
<td>Actual Invoiced Costs Net of Discounts Taken</td>
</tr>
<tr>
<td>Y.</td>
<td>Other(s) 1/</td>
</tr>
<tr>
<td>Z.</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>

2.3.2 **Inventory Requisitions from Central or Common, Institution-owned Inventory.** (Identify the inventory valuation method used to charge projects): Continuation page 3 of 12.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>First In, First Out</td>
</tr>
<tr>
<td>B.</td>
<td>Last In, First Out</td>
</tr>
<tr>
<td>C.</td>
<td>Average Costs 1/</td>
</tr>
<tr>
<td>D.</td>
<td>Predetermined Costs 1/</td>
</tr>
<tr>
<td>Y.</td>
<td>Other(s) 1/</td>
</tr>
<tr>
<td>Z.</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet
### Description of Direct Personal Services

All personal services directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the personal services compensation costs, including applicable fringe benefits costs, if any, within each major institutional function or activity that are charged as direct personal services.) Refer to narrative entitled "Budgeting, Pricing and Charging Sponsored Agreements" Section III-Direct Technical Costs, paragraph A) Salaries and Wages (Exhibit A). Continuation page 3 of 12.

### Method of Charging Direct Salaries and Wages

Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.

<table>
<thead>
<tr>
<th>Direct Personal Services Category</th>
<th>Faculty (1)</th>
<th>Staff (2)</th>
<th>Students (3)</th>
<th>Others 1/ (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Payroll Distribution Method</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>(Individual time card/actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>hours and rates)*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Plan - Confirmation (Budgeted,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>planned or assigned work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>activity, updated to reflect</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>significant changes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. After-the-fact Activity Records</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>(Percentage Distribution of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>employee activity)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Multiple Confirmation Records</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Employee Reports prepared</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>each academic term, to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>account for employee's</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>activities, direct and indirect</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>charges are certified separately.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet.

* EMRTC completes time cards.

**Main Campus completes after-the-fact activity records. Methodologies outlined in RFD narrative

"Personnel Activity Report (PAR) Instructions" refer to Exhibit A.

---

**FORM CASB DS-2 (REV 10/94)**

II-2
COST ACCOUNTING STANDARDS BOARD  
DISCLOSURE STATEMENT  
REQUIRED BY PUBLIC LAW 100-679  
EDUCATIONAL INSTITUTIONS  

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5.1</td>
<td>Salary and Wage Cost Distribution Systems.</td>
</tr>
<tr>
<td></td>
<td>Within each major function or activity, are the methods marked in Item 2.5.0 used by all employees compensated by the reporting unit? (If &quot;NO&quot;, describe on a continuation sheet, the types of employees not included and describe the methods used to identify and distribute their salary and wage costs to direct and indirect cost objectives.)</td>
</tr>
<tr>
<td></td>
<td>X Yes</td>
</tr>
<tr>
<td></td>
<td>_ No</td>
</tr>
<tr>
<td>2.5.2</td>
<td>Salary and Wage Cost Accumulation System.</td>
</tr>
<tr>
<td></td>
<td>(Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsed projects or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)</td>
</tr>
<tr>
<td></td>
<td>The Institute does not use a salary and wage cost accumulation system. Payroll records are entered in detail directly to the payroll system. The payroll system then calculates the direct charges and posts summary records to the operating ledger.</td>
</tr>
<tr>
<td>2.6.0</td>
<td>Description of Direct Fringe Benefits Costs. All fringe benefits that are attributable to direct salaries and wages and are charged directly to Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet all of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.) Refer to narrative entitled &quot;Fringe Benefits&quot; Section I-Introduction and Section III-Components. (Exhibit A). Continuation pages 10, 11 and 12 of 12.</td>
</tr>
<tr>
<td>2.6.1</td>
<td>Method of Charging Direct Fringe Benefits. (Describe on a continuation sheet, how each type of fringe benefit cost identified in Item 2.6.0. is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g., instruction, research); and, then to individual projects or direct cost objectives within each function.) Refer to part II continuation pages 11 and 12 of 12.</td>
</tr>
<tr>
<td>2.7.0</td>
<td>Description of Other Direct Costs. All other items of cost directly identified with Federally sponsored agreements or similar cost objectives. (List on a continuation sheet the principal classes of other costs which are charged directly, e.g., travel, consultants, services, subgrants, subcontracts, malpractice insurance, etc.) Refer to narrative entitled &quot;Budgeting, Pricing and Charging Sponsored Agreements&quot; Section III-Direct Technical Costs. (Exhibit A). Continuation page 5 of 12.</td>
</tr>
</tbody>
</table>
### COST ACCOUNTING STANDARDS BOARD
### DISCLOSURE STATEMENT
### REQUIRED BY PUBLIC LAW 100-679
### EDUCATIONAL INSTITUTIONS

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8.0</td>
<td><strong>Cost Transfers.</strong> When Federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor rate, indirect costs) originally used to charge or allocate costs to the project (Consider transactions where the original charge and the credit occur in different cost accounting periods). (Mark one, if &quot;No&quot;, explain on a continuation sheet how the credit differs from original charge.)</td>
</tr>
<tr>
<td></td>
<td><strong>X</strong> Yes</td>
</tr>
<tr>
<td></td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>2.9.0</td>
<td><strong>Interorganizational Transfers.</strong> This item is directed only to those materials, supplies, and services which are, or will be transferred to you from other segments of the educational institution. (Mark the appropriate line(s) in each column to indicate the basis used by you as transferee to charge the cost or price of interorganizational transfers or materials, supplies, and services to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, explain on a continuation sheet.)</td>
</tr>
<tr>
<td></td>
<td>Materials (1)</td>
</tr>
<tr>
<td></td>
<td>Supplies (2)</td>
</tr>
<tr>
<td></td>
<td>Services (3)</td>
</tr>
<tr>
<td>A.</td>
<td>At full cost excluding indirect costs attributable to group or central office expenses.</td>
</tr>
<tr>
<td></td>
<td>____</td>
</tr>
<tr>
<td>B.</td>
<td>At full cost including indirect costs attributable to group or central office expenses.</td>
</tr>
<tr>
<td></td>
<td>____</td>
</tr>
<tr>
<td>C.</td>
<td>At established catalog or market price or prices based on adequate competition.</td>
</tr>
<tr>
<td></td>
<td>____</td>
</tr>
<tr>
<td>Y.</td>
<td>Other(s) 1/</td>
</tr>
<tr>
<td></td>
<td>____</td>
</tr>
<tr>
<td>Z.</td>
<td>Interorganizational transfers are not applicable</td>
</tr>
<tr>
<td></td>
<td><strong>X</strong></td>
</tr>
<tr>
<td></td>
<td><strong>X</strong></td>
</tr>
<tr>
<td></td>
<td><strong>X</strong></td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.0</td>
<td>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.</td>
</tr>
</tbody>
</table>

New Mexico Tech follows the provisions of OMB A-21 in order to charge costs to federally sponsored agreements and similar cost objectives.

In accordance with OMB A-21 Section D.1, New Mexico Tech direct charges those costs that can be identified specifically with a particular sponsored project, instructional activity or any other institutional activity with relative ease and a high degree of accuracy.

The major criterion for direct charging of costs to sponsored agreements is the identification of a given cost with the sponsored work rather than the nature of the goods and services involved.

The following accounting narrative entitled “Budgeting, Pricing and Charging Sponsored Agreements” is an excerpt from New Mexico Tech’s Restricted Funds Department’s policies and procedures manual:

"Budgeting, Pricing and Charging Sponsored Agreements"

I. Introduction

The purpose of this document is to establish guidelines necessary to comply with OMB-A-21 Cost Principles for Educational Institutions and the Cost Accounting Standards included in the circular. These regulations define which costs are allowable on federally funded grants, contracts and other agreements (collectively referred to as Restricted Funds or sponsored agreements). This guideline is applicable to all sponsored agreements of NMIMT.

Cost Accounting Standard 9905.502 and OMB A-21 Section C.11.a, requires that costs incurred for the same purpose, in like circumstances, must be treated consistently as either direct costs or as indirect costs. Accounting for expenditures in a consistent manner assures that the same types of costs are not charged to sponsored agreements both as direct and F&A (indirect). This requirement ensures that the sponsor is not paying twice for the same type of costs in like circumstances.

OMB A-21 Section J, General provisions for selected items of cost, states that in case of a discrepancy between the provisions of a specific sponsored agreement and the provisions discussed under Section J, the agreement should govern.

Attach a proposal routing sheet to the final technical and cost proposal and route for approval prior to submitting to the prospective funding agency. The proposal routing sheet is an internal document but may be submitted to the agency if requested.
The proposal routing sheet can be found on the NMT Research & Economic web page under "General Research Forms."

The following narrative is not meant to be an all inclusive list of costs one would normally direct charge to an agreement. Rather, it is offered as a guideline to be used when pricing and charging sponsored agreements at Tech. Note that cost proposals represent best guesstimates. Research by definition implies that unknown factors will arise and costs incurred that were not originally proposed. In those situations, the PI should consult with his/her contract administrator and determine if a formal budget revision is required by the funding agency.

II. Definitions

2.1.0 A. Direct Costs

OMB A-21, Section D.1: 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 and with a high degree of accuracy.

The section goes on to state that identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from F&A (indirect) costs of sponsored agreements.

Therefore, a cost is considered direct when a specific grant or contract gains explicit benefit from the cost for a specific programmatic purpose.

2.1.0 B. Indirect Costs (referred to as F&A costs)

OMB A-21 Section E.1: F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a sponsored agreement, an instructional activity, or any other institutional activity.

Educational institutions classify such costs under the following indirect categories: depreciation and use allowances, general administration and general expenses, sponsored projects administration, operation and maintenance expenses, library expenses, departmental administration expenses, and student administration and services.

C. Major Project or Activity

Defined in A-21 (Section F.6.b.2), as a project or activity that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. Major projects/activities are those that are administratively intensive and not necessarily defined by the amount of funding.
Inventory costing method based on the average cost of inventory during the period. Average cost is determined by dividing the cost of goods available for sale by the number of units available.

III. Direct Technical Costs

Costs incurred in order to satisfy explicit programmatic requirements of the sponsored project should be charged directly to the agreement if they can be specifically identified to and benefit the project, are included and justified in the budget and are not specifically disapproved by the sponsor. Direct costs include:

A. Salaries and Wages
Section should include a list of names and titles of personnel with an estimate of the number of months and percentage of time each will devote to the sponsored activity, the salary rate, and the total amount of salaries to be paid to each from the sponsored agreement. Note it is permissible for visiting professors to serve as co-Principal Investigators on research projects. Proposed salaries can be verified through the Payroll Office, EMRTC labor rate schedule, Graduate Office or through the list of Faculty salaries developed by Academic Affairs. If you are proposing graduate student support, refer to graduate stipend guidelines for the appropriate provision.

Note the following disclaimer should appear on proposals when hours are proposed by a group and/or individuals not subject to time cards: "Hours proposed are for estimation purposes only. NMIMT maintains level of effort records in compliance with federal requirements as approved by NMIMT's federal audit agency." In addition, it is best to fully disclose the fact that Tech is subject to costing principles in OMB A-21 and as such is allowed to implement a methodology referred to as "After the fact Activity Records" (Section J.10 paragraph c.2) meaning agreements are charged according to effort performed and substantiated on bi-annual personnel activity reports.

Provisions for anticipated salary increases should be made in the budget if the program spans more than one year. Annual salary increases are set by the Legislature of the State of New Mexico.

Students may work on campus up to 40 hours per two-week pay period if they carry a full academic load during regular sessions. They may not work more than 40 hours per two-week pay period while classes are in session. During semester breaks they may work up to 40 hours per week if authorized by the employing department and the Financial Aid Office. For contract/grant purposes, the PI must obtain prior permission from the Business Office to propose hours for a student that are different from regular working hours defined in the employee handbook as Monday - Friday 8:00 a.m. to 5:00 p.m.

Federal workstudy wages should not be charged to a federal agreement. This is due to the fact that the match must come from non-federal sources. (OMB A-110 Subpart C.23.) New Mexico workstudy may be used if student qualifies as a recipient.
Project administrative type (includes clerical salaries) costs may be charged directly when the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by academic departments (Section F.6.b.2). OMB A-21 Section C lists examples of when it would be appropriate to direct charge administrative or clerical staff salaries. The list includes, individual projects requiring project specific database management, individualized graphics or manuscript preparation.

Budget justifications are required when proposing administrative type costs. The primary purpose of a justification is to provide support for the funds requested to ensure adequate funding. The following are key elements that are to be included in budget justifications:

- A description of the expense or service (i.e., manuscript preparation)
- How it relates to and benefits the project
- The anticipated cost
- The time period in which it will be utilized
- Any other information that will aid the sponsor in evaluating and funding the proposed item of cost.

If the project qualifies as major project/activity (see definition above) be sure to include project specific details to highlight the activities that make the project administratively intensive and thus a major project. When such costs are explicitly listed and justified in the sponsor-accepted budget, grant/contract administrators, auditors and sponsoring agencies can easily understand the nature of the costs and their allowability under the regulations.

Finally, a provision should be included for a project cost accountant when the funding agency requests earned value management reports (EVM’s) on a project. EVM’s are administratively intensive because in essence Tech is being asked to provide/track cost accounting information from a fund accounting system. The requirement is normally stated in the request for proposal or could be included as a condition of the award. If the requirement wasn’t included in the solicitation and the resulting cost proposal but is a condition of award, then this constitutes an out of scope change and negotiations should include a request for additional funding to cover personnel to address a very unique reporting requirement.

2.6.0 Fringe Benefits

Fringe benefits for NMIMT employees include FICA, participating insurance (medical, life, and dental), retirement benefits, unemployment compensation and workman’s compensation.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
</tr>
</thead>
</table>

Actual fringe benefits vary with salary level and elected employee benefit options; therefore, it is not possible to accurately calculate the fringe benefit rate in advance for personnel to be employed. Fringe benefit rates used for proposal purposes represent an average at a given point in time and are considered sufficient for estimation purposes. For reimbursement purposes, actual fringe benefits are identified and charged to benefiting account(s).

Main campus is currently on a cash basis of accounting for accrued leave such as annual leave, sick leave and holiday pay while EMRTC, Technology Transfer Group, ICASA and IERA are on an accrual basis. This is reflected in the rate structure of each group.

Rates are calculated on a periodic basis and are based on a review of current state and federal regulations outside the Institute’s control.

2.2.0 C. Supplies and Expenses

This category includes chemicals, reference materials, lab fuels, computer software, lab supplies, field supplies, expendable equipment, toner cartridges, diskettes, tapes for tape drive backup (if the sponsored agreement involves extensive data accumulation and analysis), sample analysis, copying (i.e., reference materials or required for distribution of technical manuscripts) and postage charges necessary to communicate research results to the sponsor, colleagues and collaborators, etc.

Office supplies - sponsors assume that NMIMT will provide some base level of support for the routine tasks associated with sponsored agreements. However, if normally administrative type costs (e.g., office supplies, postage, local telephone costs etc) are planned and consumed during the performance of a project’s technical scope of work then they would be appropriately charged as direct costs to that project. In order to avoid any confusion, there should be a provision for the items in the budget and a justification identifying the special circumstances requiring the direct charging of these types of expenses.

D. Basic Telephone

In most situations, basic telephone charges would not be allowable as direct charges to federally sponsored research programs. However, if an integral part of meeting the objectives of a project was the installation of a crisis line or some other dedicated line (for data receipt or cell phones required for field site coordination etc.) it would be appropriate to charge the costs for these services directly to the project. Note: Long distance charges are allowable direct charges, provided the calls can be directly assigned to a specific project.
E. Computer Costs

Computer costs incurred to satisfy research programmatic requirements such as data analysis, statistical sampling, mathematical modeling etc. are allowable as direct charges to an agreement.

In cases where two or more projects benefit from the same computer, the allocation methodology must be reasonable and defensible.

F. Travel

Indicate the number and estimated cost of trips as well as the destination of each trip (if known) and the number of individuals on each trip. If the exact location is not known, the general geographic location should be specified. The estimated cost should normally include and itemize airfare or other mode of transportation, the number of days of per diem etc.

Reimbursement for travel, lodging, meals and incidental expenses incurred by Institute personnel will be charged and monitored in accordance with NMIMT’s travel policy. If you are traveling on direct federal funds, reimbursement cannot exceed federal joint travel regulations. Contact travel department for rates and check with RFD for funding source of your project.

G. Equipment

Defined as any article of permanent, tangible property having a useful life of more than two years and having an acquisition cost of more than $5000 (Threshold changes periodically, check with Property Office for changes.) When proposing equipment costs be as specific as possible i.e., list type, model number and manufacturer. If equipment needs are not definite, probable choices may be listed with an estimation of costs.

Note there is a difference between special purpose equipment meaning equipment, which is used, only for research, scientific or other technical activities and general purpose equipment. General purpose equipment means equipment, the use of which is not limited only to research, scientific or other technical activities. Examples include office equipment and furnishings, air conditioning equipment, motor vehicles and automatic data processing equipment. (Refer to OMB A-21 Section J. 18 for complete listing).

Special purpose equipment is always allowable as direct charges with the approval of the sponsoring agency. While, general purpose equipment purchases are unallowable unless where approved in advance by the sponsoring agency.

Do not use federal funds to upgrade equipment purchased with state funds. This is due to the fact that there could be a conflict over title upon completion of the project. Check with the financial administrator of your account(s) to determine if a conflict will arise.
Finally, if you are anticipating a federal cost reimbursement contract and wish for NMIMT to retain title to the equipment after completion of the award. Specifically, request retention under FAR 52-245-5 Alt I. Prior approval must be requested and approval granted before acquisition of property in order to be retained.

H. Fabricated Equipment Costs

OMB A-21 excludes capital items and capital components from the OH calculation. In order to facilitate the review/approval of the cost proposal, the Principal Investigator should segregate these type of expenditures into a separate column within their budget worksheet. Keep in mind that the equipment components are exempt from the overhead rate in accordance with OMB A-21 and should be charged to BANNER account code 730107 (Equipment Fabrication/legacy object code 69Y) when the sole purpose of the contractual agreement is to fabricate and deliver an item. For other agreements where fabrication costs are being incurred but the sole purpose of the agreement is not the delivery of an item, use BANNER account code 730106 (Equipment Const. Comps./legacy object code 710) for capital components. Note both of these codes are overhead exempt. Upon award a separate task should be established in order to segregate and capture these costs for identification purposes.

Finally, upon completion of the equipment, Property office must be notified in order for them to tag the unit for tracking and reporting requirements unless the item is to be immediately delivered to the funding agency in which case there are no tracking/reporting requirements (BANNER account code 730107/legacy object code "69Y").

I. Building Construction Costs

Periodically NMIMT receives funds from an agency to construct a building for a particular project/program. If work is to be performed by an outside vendor, then the appropriate account code is 730202 (legacy object code 751) for building construction costs, account code 730204 (legacy object code 752) for built in equipment and 730106/730101 (legacy codes 710/720) for movable equipment. Infrastructure expenses such as utility lines etc. should be coded to 730206 (legacy code 754). These codes are reserved for capital items and are overhead exempt.

In situations whereby Tech employees are performing the building construction labor costs should use regular payroll object codes and the costs should be burdened accordingly. Built in equipment should be coded to 730204 (legacy 752) and movable equipment coded to 730106 or 730101 (legacy object codes 710 or 720). Infrastructure expenses such as utility lines etc. should be coded to 730206 (legacy code 754).

J. Subrecipients & Consultants

Working independently, the subrecipient (also referred to as subcontractor) performs a portion of the work scope of the project and acts as the PI in directing this portion of the project.
work under the subcontract is done at a location other than the awarding institution. Normally a deliverable is required. Subcontractor typically owns any intellectual property created on its portion of the project. Refer to NMIMT’s Subrecipient Policy for guidelines. Subcontract instrument is issued and indirect cost rate is applied on the first $25,000 (regardless of the period covered by the subcontract).

The consultant provides needed expertise but does not independently pursue a line of inquiry on the project. A consultant works under the direction of the PI, and the consultant’s work may take place at the awarding institution. Professional Services Agreement is issued through Purchasing system and overhead is applied on the entire amount of the award. Consultant has no intellectual property rights.

PI should request a signed proposal for the proposed work from any potential subrecipient(s). Each proposal should include the proposed approach to completing the requirement, level of effort, a budget, a definition of time commitments, deliverables and technical information.

If it is necessary to consider a sole source, a justification should be provided in the budget narrative which will be presented to the prospective funding agency for approval. Otherwise, the PI must solicit bids from several organizations. Note: Prior written approval from the funding agency may be required before issuing a subcontract.

Tips for Determining a Subrecipient Relationship: Institutions often use this test to determine a subrecipient relationship:

Whether an individual at the subrecipient entity could be the co-author of scientific manuscripts that describe the research results or whether the subrecipient entity has the right to file for intellectual property protection of inventions or software. (NACUBO 12/2001)

K. Student Aid

Costs of scholarships, fellowships, and other programs of student aid are allowable only when the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsoring agency. Payment requires completion of a Domestic Educational Assistance Funds form (DEAF) completed and signed by Federal Compliance Officer and then to Student Accounts Receivable. (OMB A-21 Section J.45)

L. Meetings and Conferences

Costs of meetings and conferences, when the primary purpose is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, and other items incidental to such meetings or conferences. (OMB A-21 Section J.32) However, in
order to substantiate the allowability of the cost the PI must attest to the purpose of the meeting through the use of the Professional Activity Cost Form. Note these expenses are different from entertainment type expenses and consequently require the completion of a different form.

M. Rental Costs

Rental costs are excluded from overhead calculation. They are defined as external rental costs for which NMIMT does not have associated operating costs. For example, office equipment, heavy equipment, leases.

N. Facility Support

Facility Support rate charges are unique to EMRTC and represent the recovery mechanism for EMRTC's testing range. The rate is audited by DCAA and negotiated with ONR on an annual basis. It is calculated in the following manner: multiply negotiated rate x modified total direct costs (MTDC) of the project. Overhead is then applied to both the facility support cost and MTDC.

O. Work Visas

NMIMT established guidelines whereby each respective university division or department in need of petitioning the Immigration and Naturalization Service (INS) through the Human Resources Office in order to hire eligible foreign national employees will be solely responsible for the costs incurred.

Contractual funds can be used for expenditures such as visa application services if the prospective immigrant hire is needed specifically for fulfilling a contractual role and the criteria outlined below was satisfied. Otherwise, special funding for paying for visa application services may be obtained from other sources, provided the requesting department properly justifies its request and obtains permission from the President.

In order to charge directly to a benefiting sponsored agreement, the following criteria must be satisfied: individual must be hired solely for the benefit of a particular sponsored agreement, full disclosure in cost proposal via a provision for the expenditure and a written justification. Finally, the agency must not have taken exception to the expenditure in any manner.

P. Cross Campus Consulting

Periodically, a need exists to collaborate with a separate department and/or research center and two different rate structures for the group(s) are involved. For example, EMRTC may request the services of the Metallurgy Department. In this case, Metallurgy should prepare a cost proposal which reflects the rate structure for the academic group. EMRTC would then include a provision for Metallurgy's effort in their cost proposal to the agency.
Upon award, two separate accounts should be established one for EMRTC's effort and one for Metallurgy's effort which reflects the appropriate rate structure for each group. The accounts should then be invoiced together if they are under the same contract/purchase order.

Q. Fixed Fee

Fixed fee (FF) is normally charged by groups which do not receive operating or capital appropriations from the State of New Mexico i.e. EMRTC, IERA and iCASA. It is normally charged to Department of Defense and private agreements but may be charged to any agreement where a degree of risk is involved and agreed upon by the contracting officer. Reasonableness or allowability of fee can be determined by the negotiating parties using guidelines in DFAR 215.404-4 through DFAR 215.404-72 (Modified weighted guidelines method for nonprofit organizations other than Federally Funded Research & Development Centers (FFRDCs)).

The purpose of modified weighted guidelines is to provide a uniform and consistent manner for rewarding risk, motivating efficient and quality performance and stimulating capital investment in the defense industrial base. (DFAR 215-404-4).

The guidelines focus on three factors: performance risk, contract type risk and facilities capital employed. Values are then assigned to each factor and multiplied by the base which results in a return objective for that factor. Each factor has a normal value and a designated range of values depending on items such as complexity, maturity of program, administrative/management effort etc. (Refer to example for calculation purposes).

<table>
<thead>
<tr>
<th>2.6.0</th>
<th>ACTUAL</th>
<th>*ACCRUED &amp; ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FICA/Medicare</td>
<td>Annual Leave</td>
</tr>
<tr>
<td></td>
<td>Retirement</td>
<td>Sick Leave</td>
</tr>
<tr>
<td></td>
<td>Post Retirement Benefits</td>
<td>Holiday Pay</td>
</tr>
<tr>
<td></td>
<td>Health Insurance</td>
<td>Personal Day</td>
</tr>
<tr>
<td></td>
<td>Life Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tuition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unemployment Compensation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Workers Compensation</td>
<td></td>
</tr>
</tbody>
</table>

*Main campus compensated absences are actual. EMRTC, Tech Transfer Group, ICASA and IERA are accrued.
### Item Description

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.6.0</td>
<td>Fringe Benefits</td>
</tr>
<tr>
<td>2.6.1</td>
<td>I. Introduction</td>
</tr>
</tbody>
</table>

Fringe benefits are applicable to direct salaries and wages and are treated as direct costs. NMIMT uses an average fringe benefit rate for estimating fringe benefit costs on grant applications and contract proposals. The estimation is considered sufficient for proposal purposes. For reimbursement, the cost of each benefit is specifically identified to each employee and the actual expenditures are charged individually to accounts. Rates are reviewed and adjusted periodically based on Institute benefit changes and/or changes in state or federal regulations outside the Institute’s control.

Estimated rates used on proposals are calculated by the development of a pool of fringe benefit costs such as FICA, medicare, unemployment compensation, worker's compensation, NM Educational Retirement Plan, life insurance, health insurance, compensated absences etc. Collectively these components make up the numerator and represent costs provided to a particular category of employee. The denominator consists of salaries and/or wages provided to the same category of employee. The resulting rate represents the percentage which must be added to employees' salary and wage dollars.

The categories of employees having separate fringe benefits rates are as follows: (1) Faculty 2) Regular Employees and 3) Student Employees. In addition, main campus is currently on a cash basis of accounting for accrued leave such as annual leave, sick leave and holiday pay. This methodology means that leave is charged when taken or employee terminates employment as opposed to being charged when earned. This latter treatment is referred to as a full accrual methodology. The treatment of compensated absences accounts for the difference in the rates of regular employees (faculty status employees do not earn compensated absences).

Full accrual rates are normally established when an organization/group is essentially supported by "soft" money. Soft money is defined as funds provided by an external source for a specific project or program for a definite period of time. The purpose of the full accrual methodology is for NMIMT to have funds available to liquidate compensated absence liability accrued by such employees after an externally funded program terminates. Compensated absences are part of the fringe benefit package offered to NMIMT non-faculty employees and are accrued in accordance with the employee handbook.

Groups currently under a full accrual methodology include Tech Transfer Group (TTG), Institute for Engineering and Research Applications (IERA), EMRTC and iCASa and individuals (non faculty) on Intergovernmental Personnel Assignments (IPA's).

V. P. for Finance and/or Controller to determine when a separate rate is appropriate.
### III. Components

Fringe benefits consist of the following costs for each category of employee (a full description of the benefits is available in the Human Resources Office, summary descriptions are available in NM Tech’s Employee Handbook):

**Faculty:**

- Health Plan
- Life Insurance
- New Mexico Educational Retirement Plan or Alternate Retirement Plan
- Tuition waiver regular full time only
- Legally required benefits (i.e., FICA, medicare, unemployment compensation and workers’ compensation)
- Regular Employees, non-faculty:
  - Annual Leave
  - Sick Leave
  - Holiday Pay
  - Miscellaneous Leaves: jury duty, witness duty, etc
  - Health Plan
  - Life Insurance
  - New Mexico Educational Retirement Plan or Alternate Retirement Plan if exempt and meet certain other criteria, otherwise New Mexico Educational Retirement only.
  - Tuition waiver regular full time employees only
  - Legally Required Benefits (i.e., FICA, medicare, unemployment compensation and workers’ compensation)

**All other employees**

- Legally Required Benefits (i.e., FICA, medicare, unemployment compensation and workers’ compensation)

**Policy Authority:** V.P. Administration & Finance

---

END OF PART II
### COST ACCOUNTING STANDARDS BOARD
### DISCLOSURE STATEMENT
### REQUIRED BY PUBLIC LAW 100-679
### EDUCATIONAL INSTITUTIONS

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### PART III - INDIRECT COSTS
#### NAME OF REPORTING UNIT
NM Institute of Mining & Technology

### Instructions for Part III

Institutions should disclose how the segment's total indirect costs are identified and accumulated in specific indirect cost categories and allocated to applicable indirect cost pools and service centers within each major function or activity, how service center costs are accumulated and "billed" to users, and the specific indirect cost pools and allocation bases used to calculate the indirect cost rates that are used to allocate accumulated indirect costs to Federally sponsored agreements or similar final cost objectives. A continuation sheet should be used wherever additional space is required or when a response requires further explanation to ensure clarity and understanding.

The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0.

- **A.** Direct Charge or Allocation
- **B.** Total Expenditures
- **C.** Modified Total Cost Basis
- **D.** Modified Total Direct Cost Basis
- **E.** Salaries and Wages
- **F.** Salaries, Wages and Fringe Benefits
- **G.** Number of Employees (head count)
- **H.** Number of Employees (full-time equivalent basis)
- **I.** Number of Students (head count)
- **J.** Number of Students (full-time equivalent basis)
- **K.** Student Hours – classroom and work performed
- **L.** Square Footage
- **M.** Usage
- **N.** Unit of Product
- **O.** Total Production
- **P.** More than one base (Separate Cost Groupings) 1/
- **Y.** Other(s) 1/
- **Z.** Category or Pool not applicable

1/ List on a Continuation sheet, the category and subgrouping(s) of expense involved and the allocation base(s) used.
### Indirect Cost Categories - Accumulation and Allocation

This item is directed at the identification, accumulation and allocation of all indirect costs of the institution. (Under the column heading, "Accumulation Method," insert "Yes" or "No" to indicate if the cost elements included in each indirect cost category are identified, recorded and accumulated in the institution's formal accounting system. If "No," describe on a continuation sheet, how the cost elements included in the indirect cost category are identified and accumulated. Under the column heading "Allocation Base," enter one of the allocation base codes A through P, Y, or Z, to indicate the basis used for allocating the accumulated costs of each indirect cost category to other applicable indirect cost categories, indirect cost pools, other institutional activities, specialized service facilities and other service centers. Under the column heading "Allocation Sequence," insert 1, 2, or 3 next to each of the first three indirect cost categories to indicate the sequence of the allocation process. If cross-allocation techniques are used, insert "CA." If an indirect cost category listed in this section is not used, insert "NA.")

<table>
<thead>
<tr>
<th>Indirect Cost Category</th>
<th>Accumulation Method</th>
<th>Allocation Base Code</th>
<th>Allocation Sequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Depreciation/Use Allowances/Interest Building</td>
<td>No</td>
<td>P</td>
<td>1-CA</td>
</tr>
<tr>
<td>(a) Depreciation/Use Allowances/Interest Equipment</td>
<td>No</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td>(a) Depreciation/Use Allowances/Interest Capital Improvements to Land 1/</td>
<td>No</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td>(a) Depreciation/Use Allowances/Interest Interest 1/</td>
<td>Yes</td>
<td>Z</td>
<td></td>
</tr>
<tr>
<td>(b) Operation and Maintenance</td>
<td>Yes</td>
<td>P</td>
<td>2-CA</td>
</tr>
<tr>
<td>(c) General Administration and General Expense</td>
<td>Yes</td>
<td>D</td>
<td>3-CA</td>
</tr>
<tr>
<td>(d) Departmental Administration</td>
<td>No</td>
<td>D</td>
<td></td>
</tr>
<tr>
<td>(e) Sponsored Projects Administration</td>
<td>Yes</td>
<td>D</td>
<td></td>
</tr>
<tr>
<td>(f) Library</td>
<td>Yes</td>
<td>H, J &amp; F</td>
<td></td>
</tr>
<tr>
<td>(g) Student Administration and Services</td>
<td>Yes</td>
<td>Z</td>
<td></td>
</tr>
<tr>
<td>(h) Other 1/</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>

*If "No", see Part III continuation sheets pages 1 through 3 (III-6 – III-8).*

1/ Describe on a Continuation Sheet
### Service Centers

Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service Centers include "recharge centers" and the "specialized service facilities" defined in Section J of Circular A-21. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a Continuation Sheet if any of the services are charged to users on a basis other than usage of the services. Enter "Z" in Column 1, if not applicable.)

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>C</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>A</td>
<td>C</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Z</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Other Service Centers with Annual Operating Budgets exceeding $1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)

<table>
<thead>
<tr>
<th>EMRTC (specialized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
</tr>
<tr>
<td>A</td>
</tr>
<tr>
<td>A</td>
</tr>
<tr>
<td>A</td>
</tr>
<tr>
<td>A</td>
</tr>
<tr>
<td>A</td>
</tr>
<tr>
<td>B</td>
</tr>
</tbody>
</table>

---

1. **Category Code**: Use code "A" if the service center costs are billed only as direct costs of final cost objectives; code "B" if billed only to indirect cost categories or Indirect cost pools; code "C" if billed to both direct and indirect cost objectives.

2. **Burden Code**: Code "A" -- center receives an allocation of all applicable indirect costs; Code "B" -- partial allocation of indirect costs; Code "C" -- no allocation of indirect costs.

3. **Billing Rate Code**: Code "A" -- billing rates are based on historical costs; Code "B" -- rates are based on projected costs; Code "C" -- rates are based on a combination of historical and projected costs; Code "D" -- billings are based on the actual costs of the billing period; Code "Y" -- other (explain on a Continuation Sheet).

4. **User Charges Code**: Code "A" -- all users are charged at the same billing rates; Code "B" -- some users are charged at different rates than other users (explain on a Continuation Sheet).

5. **Actual Costs vs. Revenues Code**: Code "A" -- billings (revenues) are compared to actual costs (expenditures) at least annually; Code "B" -- billings are compared to actual costs less frequently than annually.

6. **Variance Code**: Code "A" -- Annual variances between billed and actual costs are prorated to users (as credits or charges); Code "B" -- variances are carried forward as adjustments to billing rate of future periods; Code "C" -- annual variances are charged or credited to indirect costs; Code "Y" -- other (explain on Continuation Sheet).
### 3.3.0 Indirect Cost Pools and Allocation Bases

(Identify all of the indirect cost pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to distribute accumulated indirect costs to Federally sponsored agreements or similar cost objectives within each major function or activity. For all applicable indirect cost pools, enter the applicable Allocation Base Code A through P, Y, or Z, to indicate the basis used for allocating accumulated pool costs to Federally sponsored agreements or similar cost objectives.)

<table>
<thead>
<tr>
<th>Indirect Cost Pools</th>
<th>Allocation Base Code</th>
</tr>
</thead>
</table>

**A. Instruction**

- **X** On-Campus  
  - Off-Campus  
  - Other 1/  
  
**B. Organized Research**

- **X** On-Campus  
  - Off-Campus  
  - Other 1/  
  
**C. Other Sponsored Activities**

- **X** On-Campus  
  - Off-Campus  
  - Other 1/  
  
**D. Other Institutional Activities 1/**

A21 Definition of Terms:

*Other institutional activities means all activities of an institution except:*

1. *instruction, departmental research, organized research, and other sponsored activities, as defined above;*

2. *F&A cost activities identified in Section F; and*

3. *specialized service facilities described in Section J.47. Other institutional activities include operation of residence halls, dining halls, hospitals and clinics, student unions, intercollegiate athletics, bookstores, faculty housing, student apartments, guest houses, chapels, theaters, public museums, and other similar auxiliary enterprises. This definition also includes any other categories of activities, costs of which are "unallowable" to sponsored agreements, unless otherwise indicated in the agreements.*

### 3.4.0 Composition of Indirect Cost Pools

(For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, subgroupings of expenses, and elements of cost included.) See Part III continuation sheets pages 4 through 6 (III-9 – III-11).

1/ Describe on a Continuation Sheet
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.5.0</td>
<td><strong>Composition of Allocation Bases.</strong> (For each allocation base code used in items 3.1.0 and 3.3.0, describe on a continuation sheet the makeup of the base. For example, if a modified total direct cost base is used, specify which of the elements of direct cost identified in Part II, Direct Costs, that are included, e.g., materials, salaries and wages, fringe benefits, travel costs, and excluded, e.g., subcontract costs over first $25,000. Where applicable, explain if service centers are included or excluded. Specify the benefitting functions and activities included. If any cost objectives are excluded from the allocation base, such cost objectives and the alternate allocation method used should be identified. If an indirect cost allocation is based on Cost Analysis Studies, identify the study, and fully describe the study methods and techniques applied, the composition of the specific allocation base used, and the frequency of each recurring study. See Part III continuation sheets pages 7 through 9 (III-12 – III-14).**</td>
</tr>
<tr>
<td>3.6.0</td>
<td><strong>Allocation of Indirect Costs to Programs That Pay Less Than Full Indirect Costs.</strong> Are appropriate direct costs of all programs and activities included in the indirect cost allocation bases, regardless of whether allocable indirect costs are fully reimbursed by the sponsoring organizations?</td>
</tr>
<tr>
<td>A.</td>
<td><strong>X</strong> Yes</td>
</tr>
<tr>
<td>B.</td>
<td>No 1/</td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet.
3.1.0 Indirect Cost Categories

The Indirect Cost Rate is the mechanism used to allocate a portion of Tech's infrastructure to research funding agencies. Operating expenditures are collected in seven indirect cost pools and include costs for operations and maintenance (i.e., heating, cooling, electricity, janitorial services etc), general administrative expenses of departments such as Purchasing, Accounting, Payroll, etc., department administration, sponsored research administration, library, equipment and building usage. These costs are included in the overhead rate. (Refer to ONR overhead rate agreement for current rates and to Overhead Rate Development for a complete description on how the rate is calculated).

The Distribution Basis (OMB A-21 Section G.2): The rate is applied on the basis of modified total direct costs, which consists of all salaries and wages, fringe benefits, materials and supplies, services, travel and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000 shall be excluded from the calculation.

NMIMT establishes rates for the organized research enterprise and other sponsored activities. Definitions follow:

"Organized Research" - refers to all research and development activities of an institution that are separately budgeted and accounted for. It includes research activities supported by federal, nonfederal sponsors or the activity can be funded internally. Research is the systematic study directed toward fuller knowledge of the subject involved and includes rigorous inquiry, experiment or investigation.

"Other Sponsored Activities" - refers to activities that involve performance of work other than research. Examples include: non-research training agreements, sponsored instruction, course development, community service programs, testing agreements.
### Item No. 3.1.0

**Indirect Cost Categories - Accumulation and Allocation** (continued)

**a) Depreciation/Use Allowance/Interest**

**Building/Equipment/Capital Improvements:**

The Usage Allowance method is used for indirect cost calculations. The use is based on a space study conducted no less than every two years.

Single-function buildings and capital improvements or equipment used in such buildings are allocated to the benefiting function.

Multiple-function buildings and capital improvements or equipment used in such buildings are allocated to individual functions on the basis of net assignable square feet.

Joint use of buildings, capital improvements or equipment by more than one function related to space are allocated to benefiting functions on the basis of salaries and wages of those benefiting major functions.

Capital Improvements to land not associated to a certain building (parking lots, fences, sidewalks, etc.) are allocated on the basis of: student FTE’s to instruction function and employees to major functions in proportion to salaries and wages of all employees applicable to those functions.

The computation of Use Allowance is based on the acquisition cost of the asset exclusive of (1) the cost of land, (2) any portion of the cost of building and equipment borne or donated by the Federal Government, irrespective of where title was originally vested or where it is presently located, (3) any portion of the cost of buildings and equipment contributed by or for the Institute where law or agreement prohibit recovery. For an asset donated to the Institute by a third party, its fair market value at the time of the donation is considered as the acquisition cost.

The Institute employs straight-line depreciation for financial statement purposes and maintains and computes the depreciation in an Excel spreadsheet.
Indirect Cost Categories - Accumulation and Allocation (continued)

(d) Departmental Administration

The expenses under this heading are those that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans’ offices, academic departments and divisions, and organized research units. Examples: administrative duties such as serving as department head or grant and contract proposal preparation for solicitation of outside sponsor. (A-21 Section F.6) This cost pool receives allocations from building and equipment plant O&M and general administration. The expenses in this pool consist of salary and wages, fringe benefits, materials and supplies. Department administration expenses are subject to the following limitations:

(1) Academic deans’ offices. Salaries and operating expenses taken from GL are limited to those attributable to administrative functions.

(2) Academic departments:

(a) Salaries and fringe benefits attributable to the administrative work (including bid and proposal preparation) of faculty (including department heads), and other professional personnel conducting research and/or instruction, are allowed at a rate of 3.6 percent of modified total direct costs. This category does not include professional business or professional administrative officers. This allowance is added to the computation of the F&A cost rate for major functions in Section G; the expenses covered by the allowance are excluded from the departmental administration cost pool. No documentation is required to support this allowance.

(b) Other administrative and supporting expenses incurred within academic departments are allowable provided they are treated consistently in like circumstances. This would include expenses such as the salaries of secretarial and clerical staffs, the salaries of administrative officers and assistants, travel, office supplies, stockrooms, and the like.

(3) Other fringe benefit costs applicable to the salaries and wages included in subsections (1) and (2) are allowable, as well as an appropriate share of general administration and general expenses, operation and maintenance expenses and depreciation and/or use allowances.

(4) Federal agencies may authorize reimbursement of additional costs for department heads and faculty only in exceptional cases where an institution can demonstrate undue hardship or detriment to project performance.
**Composition of Indirect Cost Pools.** Describe the major organizational components, subgroupings of expenses, and elements of cost included in each cost pool.

**Indirect Cost Categories (3.1.0)**

(a) **Depreciation/Use Allowance/Interest**

Capital expenditures including buildings and capital improvements or equipment used in such buildings owned and managed by the Institute are included in costs to be allocated using the usage allowance method. Any portion of an asset acquired with federal funding is excluded. Interest on capital purchases is not allowed.

In accordance with GASB 35, for financial statement purposes the Institute employs straight-line depreciation on buildings, equipment, and capital improvements.

(b) **Operation and Maintenance**

The major organizational units and offices included in the Operation and Maintenance indirect costs are:

1. **Main Campus**
   
   (a) **Facilities Management Administration**
   
   Costs incurred are those administrative costs that cannot be allocated to a single cost objective and consist of salary and wages, fringe benefits, materials, supplies and inventory costs.

   (b) **Maintenance**
   
   Costs incurred to maintain routine building operations and grounds and consist of salary and wages, fringe benefits, materials, supplies and facility insurance.

   (c) **Vehicle Maintenance**
   
   Costs incurred to maintain vehicles and consist of salary and wages, fringe benefits, materials and supplies.

   (d) **Campus Safety**
   
   Costs incurred to maintain the campus police office and consist of salary and wages, fringe benefits, materials and supplies.

   (e) **Campus Planning**
   
   Costs incurred for the University Architect and Capital Projects Management Office and consist of salary and wages, fringe benefits, materials and supplies.

   (f) **Health Safety Training Programs**
   
   Costs incurred for employee training and health safety and consist of salary and wages, fringe benefits, materials and supplies.

   (g) **Waste Collection & Disposal Service**
   
   Costs incurred for the disposal of waste excluding hazardous waste and recycling and consist of salary and wages, fringe benefits, materials and supplies. (A-21 section F.4)
Composition of Indirect Cost Pools continued.

(h) Environmental Health and Safety Testing
Costs incurred for testing and maintenance of safety devices and other equipment, such as sprinklers, fire alarm systems, and extinguishers and consist of salary and wages, fringe benefits, materials and supplies.

(2) Custodial Service
Costs incurred to maintain the cleanliness of buildings and consist of salary and wages, fringe benefits, materials and supplies.

(3) Utilities
Costs incurred for electricity, chilled water, steam, natural gas, and water. Costs also included are for the maintenance of the utility and distribution systems for non-auxiliary buildings and consist of salary and wages, fringe benefits, materials and supplies.

(c) General Administration and General Expenses

General Administration is comprised of the central general executive and administrative activities of NMINT that do not relate solely to a single major activity, function, or segment of the institution, i.e. payroll, purchasing, human resources, etc. (A-21 Section F.5) Costs are identified and accumulated within the Banner Financial System by use of account code identifiers based on actual expenditures of these functional areas. Total expenditures are accumulated in the general administrative cost pool for allocation. This cost pool receives an allocation from building and equipment, and plant O&M.

(d) Departmental Administration

The following guidelines apply to the determination of departmental administrative costs as direct or F&A costs.

(1) In developing the departmental administration cost pool, special care is exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or F&A costs. For example, salaries of technical staff, laboratory supplies (e.g., chemicals), telephone toll charges, animals, animal care costs, computer costs, travel costs, and specialized shop costs shall be treated as direct cost wherever identifiable to a particular cost objective. Direct charging of these costs may be accomplished through specific identification of individual costs to benefiting cost objectives, or through recharge centers or specialized service facilities, as appropriate under the circumstances.

(2) The salaries of administrative and clerical staff are normally treated as F&A costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. "Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments.

(3) Items such as office supplies, postage, local telephone costs, and memberships are normally treated as F&A costs. However, if such items can be identified as dedicated to a specific grant or contract, they will be direct charged.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
</tr>
</thead>
</table>
| 3.4.0 | Composition of Indirect Cost Pools continued.  

Refer to narrative “Budgeting, Pricing and Charging Sponsored Agreements”, NMIMT Restricted Funds web site.  

(e) **Sponsored Project Administration**  

This category is restricted to costs incurred in support of campus-wide sponsored programs. This cost pool currently includes expenses of the office of the Vice President for Research and Economic Development and the Restricted Funds Accounting Office.  

The expenditures included are salary and wages, fringe benefits, materials and supplies. This pool receives allocations from buildings and equipment, plant O&M and General Administration.  

(f.) **Library**  

The expenses under this heading are those that have been incurred for the operation of the library, including the cost of books and library materials purchased for the library, less any items of library income that qualify as applicable credits under Section C.5. The library expense category also includes the fringe benefits applicable to the salaries and wages included therein, an appropriate share of general administration and general expense, operation and maintenance expense, and depreciation and use allowances. Costs incurred in the purchases of rare books (museum type books) with no value to sponsored agreements should not be allocated to them.
3.5.0 Composition of Allocation Bases used in 3.1.0

**Use Allowance (a) - Building/Equipment/Capital Improvements**

Allocation Base Code - P Square Footage

Through periodic space utilization survey net assignable square footage on a per building basis is identified by room, by building and function. Building use is calculated by a combination of methods. Office space is based upon institution wide salaries and wages. Other space is allocated based on room use. Common areas, restrooms, hallways, elevators, and federally funded space are excluded. Costs are allocated by the net assignable square footage function.

Use Allowance
Equipment
Allocation Base Code – P Square Footage
Refer to square footage allocation definition above.

Capital Improvements to Land
Not presently allocated to federal agreements.

**Library (f)**

The expenses included in this category are allocated first on the basis of primary categories of users, including students, professional employees, and other users.

1. The student category consists of full-time equivalent students enrolled at the institution, regardless of whether they earn credits toward a degree or certificate.

2. The professional employee category consists of all faculty members, graduate students under contract and other professional employees of the institution.

3. The other users category consists of all other users of library facilities.

The amount allocated is assigned further as follows:

1. The amount in the student category is assigned to the instruction function of the institute.

2. The amount in the professional employee category is assigned to the major functions of the institution in proportion to the salaries and wages of all faculty members, graduate students under contract and other professional employees of the institution applicable to those functions.

3. The amount in the other users category is assigned to the other institutional activities function.
Composition of Allocation Bases used in 3.1.0 (continued)

**Operation and Maintenance (b)**

The allocation base for Operation and Maintenance (O&M) is net assignable square feet (NASF). The Institute uses three separate NASF allocation bases: Main Campus, Custodial and Utilities. Separate bases are necessary because not all buildings receive all types of O&M services. NASF bases are used to allocate O&M costs to other benefiting F&A cost categories as well as benefiting major functions.

Space dedicated to only on function is allocated by NASF.

Space used for multiple functions is determined by users by room to the cost categories and major functions on university wide salaries and wages.

**General Administration and General Expenses (c)**

Allocation Base Code - D Modified Total Direct Cost

Modified Total Direct Cost (MTDC), as defined in OMB Circular A-21, consists of all salaries and wages, fringe benefits, materials and supplies, services, travel and subgrants and subcontracts up to the first $25,000 each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000 shall be excluded. (New Mexico Tech-FY 2006 Fixed F & A Rates Negotiation Agreement, page 2 of 4)

**Departmental Administration (d)**

Allocation Base Code - D Modified Total Direct Cost

Refer to modified total direct cost allocation definition above.

**Sponsored Projects Administration (e)**

Allocation Base Code - D Modified Total Direct Cost (sponsored agreements)

The allocation base for sponsored projects administration is the modified total direct cost, as described above, of all sponsored agreements.
3.5.0 **Composition of Allocation Bases used in 3.3.0**

All indirect cost pools included in 3.3.0 are allocated based on MTDC.

Modified Total Direct Costs consist of salaries and wages, fringe benefits, materials and supplies, travel, service center charges, and subawards up to the first $25,000 each. Modified Total Direct Costs exclude equipment, capital expenditures, charges for patient care and tuition remission, rental costs of off-site facilities, scholarships and fellowships, and each subaward in excess of $25,000.

The benefiting functions and activities included in the base for each pool are as follows:

A. Instruction
   1. On-Campus

B. Organized Research
   1. On-Campus
   2. Off-Campus

C. Other Sponsored Activities
   1. On-Campus
   2. Off-Campus

D. Other Institutional Activities
   1. On-Campus

END OF PART III
COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART IV -
DEPRECIATION AND USE ALLOWANCES
NAME OF REPORTING UNIT
NM Institute of Mining & Technology

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.0</td>
<td>Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For each asset category listed below, enter a code from A through C in Column (1) describing the method of depreciation; a code from A through D in Column (2) describing the basis for determining useful life; a code from A through C in Column (3) describing how depreciation methods or use allowances are applied to property units; and Code A or B in Column (4) indicating whether or not the estimated residual value is deducted from the total cost of depreciable assets. Enter Code Y in each column of an asset category where another or more than one method applies. Enter Code Z in Column (1) only, if an asset category is not applicable.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Depreciation Method</th>
<th>Useful Life</th>
<th>Property Unit</th>
<th>Residual Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Land Improvements</td>
<td>Z</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Buildings</td>
<td>C</td>
<td>D</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(c) Building Improvements</td>
<td>C</td>
<td>D</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(d) Leasehold Improvements</td>
<td>C</td>
<td>D</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(e) Equipment</td>
<td>C</td>
<td>D</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(f) Furniture and Fixtures</td>
<td>C</td>
<td>D</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(g) Automobiles and Trucks</td>
<td>C</td>
<td>D</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(h) Tools</td>
<td>Z</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Enter Code Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. (Otherwise enter Code Z.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Column (1)—Depreciation Method Code
A. Straight Line
B. Expensed at Acquisition
C. Use Allowance
Y. Other or more than one method 1/

Column (2)—Useful Life Code
A. Replacement Experience
B. Term of Lease
C. Estimated service life
D. As prescribed for use allowance by Office of Management and Budget Circular No A-21
Y. Other or more than one method 1/

Column (3)—Property Unit Code
A. Individual units are accounted for separately
B. Applied to groups of assets with similar service lives
C. Applied to groups of assets with varying service lives
Y. Other or more than one method 1/

Column (4)—Residual Value Code
A. Residual value is deducted
B. Residual value is not deducted
Y. Other or more than one method 1/

1/ Describe on a Continuation Sheet
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.1</td>
<td><strong>Asset Valuations and Useful Lives.</strong> Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.)</td>
</tr>
<tr>
<td>A. Yes</td>
<td>B. No 1/</td>
</tr>
</tbody>
</table>

The Institute uses the use allowance per OMB Circular A-21 for indirect cost allocation. It uses depreciation per GASB 35 for financial statements. The asset valuations are the same but the useful lives differ.

<table>
<thead>
<tr>
<th>4.2.0</th>
<th><strong>Fully Depreciated Assets.</strong> Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Yes</td>
<td>B. No 1/</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4.3.0</th>
<th><strong>Treatment of Gains and Losses on Disposition of Depreciable Property.</strong> Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Excluded from determination of sponsored agreement costs</td>
<td></td>
</tr>
<tr>
<td>B. Credited or charged currently to the same pools to which the depreciation of the assets was originally charged</td>
<td></td>
</tr>
<tr>
<td>C. Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved</td>
<td></td>
</tr>
<tr>
<td>D. Not accounted for separately, but reflected in the depreciation reserve account</td>
<td></td>
</tr>
<tr>
<td>Y. Other(s) 1/</td>
<td></td>
</tr>
<tr>
<td>Z. Not applicable</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4.4.0</th>
<th><strong>Criteria for Capitalization.</strong> (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Minimum Dollar Amount $5000</td>
<td></td>
</tr>
<tr>
<td>B. Minimum Life Years Two years</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4.5.0</th>
<th><strong>Group or Mass Purchase.</strong> Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Yes 1/</td>
<td></td>
</tr>
<tr>
<td>B. No 1/</td>
<td></td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet.
4.4.0 Capitalization Policy

1. Land will be capitalized in the Institute's financial records at cost. Gifts will be capitalized at fair market value at the time of donation.

2. Buildings, building improvements including, fixed equipment (other than communications and network equipment), infrastructure assets and land improvements over $100,000, whether constructed or purchased, will be capitalized in the Institute's financial records at cost. Gifts meeting these criteria will be capitalized at fair market value at the time of donation if fair market value exceeds $100,000.

3. Telecommunications equipment acquired and installed by the Institute's Information Services department will be capitalized in the Institute's financial records at cost over $5000.

4. All nonexpendable movable equipment costing $5000 or more will be capitalized and recorded in the inventory system. Capital assets are recorded at cost. Gifts of nonexpendable moveable equipment with a fair market value of $5000 or more will be capitalized at fair market value at the time of donation.

END OF PART IV
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Part V</td>
</tr>
<tr>
<td>5.1.0</td>
<td>Method of Champing Leave Costs. Do you charge vacation, sick, holiday and sabbatical leave costs to sponsored agreements on the cash basis of accounting (i.e., when the leave is taken or paid), or on the accrual basis of accounting (when the leave is earned)? (Mark applicable line(s))</td>
</tr>
<tr>
<td>A. X</td>
<td>Cash</td>
</tr>
<tr>
<td>B. X</td>
<td>Accrual 1/</td>
</tr>
</tbody>
</table>

Accrual rates are normally established when an organization/group is essentially supported by sponsored agreements. The purpose of the full accrual methodology is for the Institute to have funds available to liquidate compensated absence liability accrued by such employees after an externally funded program terminates. Compensated absences are part of the fringe benefit package offered to Institute non-faculty employees and are accrued in accordance with the employee handbook. Refer to narrative “Fringe Benefits” under NMIMT Sponsored Projects Policies and Procedures (Exhibit A)

<table>
<thead>
<tr>
<th>5.2.0</th>
<th>Applicable Credits. This item is directed at the treatment of &quot;applicable credits&quot; as defined in Section C of OMB Circular A-21 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.). (Indicate how the principal types of credits and incidental receipts the institution receives are usually handled.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. X</td>
<td>The credits/receipts are offset against the specific direct or indirect costs to which they relate.</td>
</tr>
<tr>
<td>B.</td>
<td>The credits/receipts are handled as a general adjustment to the Indirect pool.</td>
</tr>
<tr>
<td>C.</td>
<td>The credits/receipts are treated as income and are not offset against costs.</td>
</tr>
<tr>
<td>D.</td>
<td>Combination of methods 1/</td>
</tr>
<tr>
<td>Y.</td>
<td>Other 1/</td>
</tr>
</tbody>
</table>

Credits/receipts offset against the specific direct or indirect costs to which they relate include the following:

- Purchase discounts
- Rebates
- Recoveries on losses
- Adjustments on overpayments
- Educational discounts

END OF PART V
This part covers the measurement and assignment of costs for employee pensions, post retirement benefits other than pensions (including post retirement health benefits) and insurance. Some organizations may incur all of these costs at the main campus level or for public institutions at the governmental unit level, while others may incur them at subordinate organization levels. Still others may incur a portion of these costs at the main campus level and the balance at subordinate organization levels.

Where the segment (reporting unit) does not directly incur such costs, the segment should, on a continuation sheet, identify the organizational entity that incurs and records such costs. When the costs allocated to Federally sponsored agreements are material, and the reporting unit does not have access to the information needed to complete an item, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)

6.1.0 Pension Plans.

6.1.1 Defined- Contribution Pension Plans. Identify the types and number of pension plans whose costs are charged to Federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)

<table>
<thead>
<tr>
<th>Type of Plan</th>
<th>Number of Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. X Institution employees participate in State/Local Government Retirement Plan(s)*</td>
<td>1</td>
</tr>
<tr>
<td>B. X Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution</td>
<td>2</td>
</tr>
<tr>
<td>C. Institution has its own Defined-Contribution Plan(s) 1/</td>
<td></td>
</tr>
</tbody>
</table>

*The State of New Mexico's Educational Retirement Association retirement plan is a defined benefit pension plan.

6.1.2 Defined-Benefit Pension Plan. (For each defined-benefit plan (other than plans that are part of a State or Local government pension plan) describe on a continuation sheet the actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)

1/ Describe on a Continuation Sheet
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.2.0</td>
<td><strong>Post Retirement Benefits Other Than Pensions (including post retirement health care benefits) (PRBs).</strong> (Identify on a continuation sheet all PRB plans whose costs are charged to Federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.)</td>
</tr>
<tr>
<td></td>
<td>Z. [X] Not Applicable <strong>Premiums paid 100% by retiree.</strong></td>
</tr>
<tr>
<td>6.2.1</td>
<td><strong>Determination of Annual PRB Costs.</strong> (On a continuation sheet, indicate whether PRB costs charged to Federally sponsored agreements are determined on the cash or accrual basis of accounting. If costs are accrued, describe the accounting practices used, including actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)</td>
</tr>
<tr>
<td>6.3.0</td>
<td><strong>Self-Insurance Programs (Employee Group Insurance).</strong> Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</td>
</tr>
<tr>
<td>A.</td>
<td>When accrued (book accrual only)</td>
</tr>
<tr>
<td>B. [X]</td>
<td>When contributions are made to a nonforfeitable fund</td>
</tr>
<tr>
<td>C.</td>
<td>When contributions are made to a forfeitable fund</td>
</tr>
<tr>
<td>D.</td>
<td>When the benefits are paid to an employee</td>
</tr>
<tr>
<td>E.</td>
<td>When amounts are paid to an employee welfare plan</td>
</tr>
<tr>
<td>Y.</td>
<td>Other or more than one method 1/</td>
</tr>
<tr>
<td>Z.</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>6.4.0</td>
<td><strong>Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance.)</strong></td>
</tr>
<tr>
<td>6.4.1</td>
<td><strong>Worker's Compensation and Liability.</strong> Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</td>
</tr>
<tr>
<td>A.</td>
<td>When claims are paid or losses are incurred (no provision for reserves)</td>
</tr>
<tr>
<td>B.</td>
<td>When provisions for reserves are recorded based on the present value of the liability</td>
</tr>
<tr>
<td>C.</td>
<td>When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability</td>
</tr>
<tr>
<td>D. [X]</td>
<td>When funds are set aside or contributions are made to a fund</td>
</tr>
<tr>
<td>Y.</td>
<td>Other or more than one method 1/</td>
</tr>
<tr>
<td>Z.</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Item No.</td>
<td>Item description</td>
</tr>
<tr>
<td>---------</td>
<td>------------------</td>
</tr>
<tr>
<td>6.4.2</td>
<td>Casualty Insurance. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</td>
</tr>
<tr>
<td>A.</td>
<td>When losses are incurred (no provision for reserves)</td>
</tr>
<tr>
<td>B.</td>
<td>When provisions for reserves are recorded based on replacement costs</td>
</tr>
<tr>
<td>C.</td>
<td>When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructibles.</td>
</tr>
<tr>
<td>D.</td>
<td>Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)</td>
</tr>
<tr>
<td>Y.</td>
<td>Other or more than one method 1/</td>
</tr>
<tr>
<td>Z.</td>
<td>X Not Applicable</td>
</tr>
</tbody>
</table>

*All casualty insurance is covered by the State of New Mexico’s Risk Management plan. However, in the event one of the Institute’s research or other sponsored activities funding agencies requires additional insurance than what is offered by Risk Management it is the Institute’s practice to price the additional coverage and charge the related premium to the benefiting agreement.*

END OF PART VI
New Mexico Institute of Mining & Technology

Exhibit A
<table>
<thead>
<tr>
<th>Document Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviewing for Federally-Defined Allowable and Unallowable Costs</td>
<td>2-7</td>
</tr>
<tr>
<td>Budgeting, Pricing and Charging Sponsored Agreements</td>
<td>8-16</td>
</tr>
<tr>
<td>Personnel Activity Report (PAR) Instructions</td>
<td>17-20</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>21-23</td>
</tr>
</tbody>
</table>
Reviewing for Federally-Defined Allowable and Unallowable Costs

*Document last modified 8/14/06*

Office of Management and Budget (OMB) Circular A-21 establishes principles for determining costs applicable to grants, contracts and other agreements with educational institutions. The circular also provides guidelines used in preparing an overhead rate submission plus defines what is allowable and unallowable indirect costs for federal reimbursement purposes.

I. Definitions

Allowability - *for reimbursement purposes* pertains to direct and indirect charges. (OMB A-21 Section C.2) lists four factors affecting allowability of costs

- Reasonable - nature of goods or services acquired or applied and the amount involved 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.
- Allocable - process of assigning a cost or group of costs, to one or more cost objectives in proportion to benefit provided or other equitable relationship.
- Consistently Treated - like expenses must be treated the same in like circumstances
- Allowable - Expense must be allowable or not specifically excluded as specified by government regulations.

Cost Allocability - allocability of cost involves an assessment of the relative benefits received from the incurrence of the cost. There are three different levels of cost allocability (NACUBO)

1. Cost is incurred solely to advance work under sponsored agreement
2. Expense is incurred in a manner that benefits both the sponsored agreement and other work of the institution in proportions than can be approximated through the use of reasonable methods.
3. Cost is necessary for the overall operation of the institution and under Circular A-21, deemed to be assignable in part to sponsored projects.

DCAA – Defense Contract Audit Agency federal agency which audits NMIMT’s overhead proposals on behalf of the Office of Naval Research.

Direct Costs – (OMB A-21 Section D.2) Those costs that can be identified specifically with a particular sponsored project or NMIMT activity and that can be assigned to such activity relatively easily and with a high degree of accuracy. Identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of sponsored agreements.

Indirect Costs – (OMB A-21 Section E.1) Those costs that are incurred for common or joint objectives and therefore cannot be identified with a particular sponsored project, an instructional activity or any other institutional activity. (also referred to as Facilities and Administrative Cost Rate)

Office of Naval Research – (ONR) NMIMT’s cognizant federal agency which has responsibility for approving or disapproving NMIMT’s proposed overhead rates.
II. General

This procedure outlines NMIMIT's responsibilities for accounting for federally defined allowable and unallowable costs for overhead reimbursement purposes. In addition, the procedure facilitates training of individuals involved in the coding of financial transactions, in order that they become familiar with governing regulations to ensure the proper classification of expenditures that are included in the indirect cost (overhead) rate.

The federal government provides direct support for federal sponsored agreements and reimburses NMIMIT for its share of NMIMIT's general operating costs also referred to as indirect costs. *Indirect costs are defined as those costs which benefit all functions of the university and therefore cannot be identified readily and specifically with a particular sponsored project or institutional activity* (OMB A-21 Section B.4). The government provides for the allocation of a portion of these operating costs to grants and contracts through approved indirect cost rates. Indirect cost rates are calculated and approved on an annual basis. DCAA audits the study and proposal. The rates are then negotiated with the Office of Naval Research (ONR).

The calculation process involves a comparison of total allocable indirect costs to modified total direct costs of a particular function, the resulting ratio is referred to as the indirect cost rate. Indirect cost rates are calculated for the organized research function and other sponsored activities of NMIMIT.

As a part of this allocation process, indirect costs are segregated into the following indirect cost pools (refer to OMB A-21 for full description of these pools):

- **Building Usage Allowance** – compensation to NMIMIT for use of buildings (OMB A-21 Section F.2 and J.14)
- **Equipment Usage Allowance** – compensation to NMIMIT for use of equipment (OMB A-21 Section F.2 and J.14)
- **Departmental Administration** – administrative and supporting services pertaining to department objectives. It includes the general activities performed in academic departments to support instruction and research. (Cost Category 40, OMB A-21 Section F.6)
- **General Administration and General Expenses** – represents central and general executive and administrative activities of NMIMIT (Cost Category 50, OMB A-21 Section F.5)
- **Sponsored Projects Administration** – departments established primarily to administer sponsored projects (Cost Category 60, OMB A-21 Section F.7)
- **Operations and Maintenance** – activities that have been incurred by a central service organization for the operation and maintenance of the infrastructure (Cost Category 80, OMB A-21 Section F.4)
- **Library** – activities that directly support the operation of the library (Cost Category 70, OMB A-21 Section F.8)

*The activities in the accounts assigned to these pools must be consistent with OMB A-21's definition of the function and must not include expressly unallowable costs outlined under Section J. of OMB A-21.*

NMIMIT is legally required to submit a certification with each indirect cost rate proposal attesting to the fact that no unallowable expenses are included in the indirect cost rate proposal. Sanctions for noncompliance include nonrecovery of indirect costs, penalties of perjury for false certification. Federal regulations stipulate that all indirect costs deemed unallowable by the government are subject to a penalty equal to the amount of the disallowed expense plus interest.
III. RULES

Tests of expenditure allowability per OMB Circular A-21, Section C.2 costs must be

- Reasonable – A prudent person would have purchased this item and paid this price.
- Allocable – process of assigning a cost or group of costs, to one or more cost objectives in proportion to benefit provided or other equitable relationship.
- Consistently Treated – Like expenses must be treated the same in like circumstances.
- Allowable – The expense must be allowable or not specifically excluded as specified by government regulations.

NOTE: If an expense cannot meet the above criteria, it is not eligible for inclusion in the indirect cost rate study regardless of its purpose.

Agencies which sponsor grants and contracts use the term allowable to mean permitted as a direct cost under the terms of a specific grant or contract. Expenses which are generally allowable for federal reimbursement may not necessarily be permitted under the terms of a specific grant or contract review terms of the agreement in order to determine appropriateness of charge.

Costs are specifically unallowable under two general conditions:

- they are for an unallowable ACTIVITY (something you do and record using an account),
  or
- they are for an unallowable EXPENDITURE (something you buy, a line item recorded at the object code level)

NMIMT tracks whether activities are allowable for reimbursement through the account number to which transactions are charged, and tracks allowable and unallowable transactions at the expenditure code level. Therefore, it is imperative to understand the definition of the cost category that has been assigned to the account number(s) that you use. If you find yourself engaged in activities that deviate from the intended purposes of your account then you must bring it to the attention of either the Senior Cost Accountant, Indirect Cost Analyst, or Director of Sponsored Projects.

If you are incurring an unallowable expense in an otherwise allowable account, then you must code the transaction with one of the following object codes: 61X unallowable expenses/entertainment, 63X travel overhead excluded.

IV. Federally Defined Unallowable Activities

Unallowable Activities are generally recorded in separate accounts specifically designated for these purposes. Allowable object codes may be used with these accounts since the account is not incorporated into the overhead study for reimbursement purposes. Note these activities are appropriate and permissible NMIMT type functions. However, the federal government will not reimburse us for these costs.

The following list is not meant to be all inclusive. Section J of Circular A-21 describes fifty four (54) selected types of cost items some of which are unallowable for overhead reimbursement purposes. In reviewing costs in each of these areas, please keep in mind that the federal government identifies "associated costs" with unallowable costs as equally unallowable.
In case of a conflict between A-21 provisions and the provisions of a specific agreement, the terms of the agreement govern.

**General public relations (J.1)** – Term includes community relations and means those activities dedicated to maintaining the image of the institution or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

**The only allowable public relations costs are:** 1) costs specifically required by sponsored agreements; 2) costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of sponsored agreements; or 3) costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of contract/grant awards, financial matters, etc.

**Alumni Activities (J.4)** - Costs incurred for, or in support of alumni and similar activities are unallowable.

**Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement (J.13)**

**Housing and Personal Living Expenses (J.23)** – Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent, etc.), housing allowances and personal living expenses for/of the institution’s officers are unallowable regardless of whether the cost is reported as taxable income to the employees.

**Organized Fund Raising (J.20.a)** – Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.

**Investment Management Costs (J.20.b)** – Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.

**Lobbying (J. 28.a.1)** – Attempts to influence the outcomes of any federal, state or local election, referendum, initiative or similar procedure, through in kind or cash contributions, endorsements, publicity or similar activity;

**Selling and Marketing (J.46)** - Costs of selling and marketing any products or services of the institution (unless allowed under Section J.1 or J.38) are unallowable. This differs from bid and proposal development costs (J.38) in that marketing is defined as the unsolicited promotion of NMIMT, while bid and proposal work is when an outside entity contacts you to develop a proposal.

**Student Activity Costs (J.48)** – Costs incurred for intramural activities, student publications, student clubs, and other student activities are unallowable, unless specifically provided for in the sponsored agreements.

**V. Federally Defined Unallowable Expenditures** - in addition to unallowable activities, certain costs are always unallowable, regardless of the activity they support. These costs are unallowable by object and are typically recorded in general ledger expense object codes designed to segregate the costs from allowable costs:
Advertising and Public Relation - (J.1.f.4) costs designed solely to promote the institution.
Alcoholic beverages (J.3)
Certain Recruitment Costs (J.42.b) e.g., color advertising
Certain Travel Costs (J.53.c) e.g., first class travel
Entertainment –(J.17)
Fines & Penalties (J.19)
Goods and services for the personal use of employees (J.22)
Losses on other sponsored agreements (J.29)
Memberships in civic, community or social organizations or dining/country clubs(J.33)
Memorabilia, promotional materials (J.1.f3)
Moving Costs if employee resigns within 12 months of employment (J.42.d)

In many cases, determining the allowability or unallowability of a particular cost is complex. When in doubt consult with the Director of Finance, Assistant Controller - Restricted Funds or Indirect Cost Analyst.

VI. Policy Authority

Director of Finance, Vice President Administration & Finance

VII. References


Office of Management and Budget Circular A-21, "Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions."


Cost Accounting Standard (CAS) 9905-505, "Accounting for Unallowable Costs - Educational Institutions."

Office of Management And Budget Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations."


VIII. Flowchart:

RECORDING TRANSACTIONS CORRECTLY
You are about to process an expense . . . keep in mind that
The more information you have about an expense, the easier it
Will be to accurately classify that expense. After obtaining as much
Information as possible about the expense, ask yourself . . .
Is the expense legal? NO → Pack for a one way ticket to "Club Fed"

YES ↓

Is it permissible at NMIMT? NO → Do not incur the expense! Use your own personal $!!

YES ↓

Is it for an allowable activity? NO → Alumni, Marketing (Unsolicited promotion of NMIMT) Etc. Charge to an account established for unallowable expenditures.

YES ↓

Is it for an allowable expense? NO → Advertising, Alumni Activities, Fines & Penalties, Entertainment Costs, Etc. Charge to an unallowable object code ie., 61X, 63X.

YES ↓

Is it for a sponsored project? NO → Charge to a nonsponsored fund.

YES ↓

Is it permissible by the sponsor? NO → Charge to a sponsored project account ie., "29" fund exhibit.

YES
Budgeting, Pricing and Charging Sponsored Agreements

*Document last modified 9/28/06*

This is a working document and as such, we would appreciate any information and/or insight which would help us develop stronger policies for NMIMT's research community.

I. Introduction

The purpose of this document is to establish guidelines necessary to comply with OMB-A-21 Cost Principles for Educational Institutions and the Cost Accounting Standards included in the circular. These regulations define which costs are allowable on federally funded grants, contracts and other agreements (collectively referred to as Restricted Funds or sponsored agreements). This guideline is applicable to all sponsored agreements of NMIMT.

Cost Accounting Standard 9905.502 and OMB A-21 Section C.11.a, requires that costs incurred for the same purpose, in like circumstances, must be treated consistently as either direct costs or as indirect costs. Accounting for expenditures in a consistent manner assures that the same types of costs are not charged to sponsored agreements both as direct and F&A (indirect). This requirement ensures that the sponsor is not paying twice for the same type of costs in like circumstances.

OMB A-21 Section J, General provisions for selected items of cost, states that in case of a discrepancy between the provisions of a specific sponsored agreement and the provisions discussed under Section J, the agreement should govern.

Attach a proposal routing sheet to the final technical and cost proposal and route for approval prior to submitting to the prospective funding agency. The proposal routing sheet is an internal document but may be submitted to the agency if requested.

The proposal routing sheet can be found on the NMT Research & Economic web page under "General Research Forms."

The following narrative is not meant to be an all inclusive list of costs one would normally direct charge to an agreement. Rather, it is offered as a guideline to be used when pricing and charging sponsored agreements at Tech. Note that cost proposals represent best guesstimates. Research by definition implies that unknown factors will arise and costs incurred that were not originally proposed. In those situations, the PI should consult with his/her contract administrator and determine if a formal budget revision is required by the funding agency.

II. Definitions

A. Direct Costs
**OMB A-21, Section D.1:** 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 and with a high degree of accuracy.

The section goes on to state that identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from F&A (indirect) costs of sponsored agreements.

Therefore, a cost is considered direct when a specific grant or contract gains explicit benefit from the cost for a specific programmatic purpose.

**B. Indirect Costs (referred to as F&A costs)**

**OMB A-21 Section E.1:** F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a sponsored agreement, an instructional activity, or any other institutional activity.

Educational institutions classify such costs under the following indirect categories: depreciation and use allowances, general administration and general expenses, sponsored projects administration, operation and maintenance expenses, library expenses, departmental administration expenses, and student administration and services.

**C. Major Project or Activity**

Defined in A-21 (Section F.6.b.2), as a project or activity that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. Major projects/activities are those that are administratively intensive and not necessarily defined by the amount of funding.

---

**III. Direct Technical Costs**

Costs incurred in order to satisfy explicit programmatic requirements of the sponsored project should be charged directly to the agreement if they can be specifically identified to and benefit the project, are included and justified in the budget and are not specifically disapproved by the sponsor. Direct costs include

**A. Salaries and Wages**

Section should include a list of names and titles of personnel with an estimate of the number of months and percentage of time each will devote to the sponsored activity, the salary rate, and the total amount of salaries to be paid to each from the sponsored agreement. **Note It is permissible for visiting professors to serve as co-Principal Investigators on research projects.** Proposed salaries can be verified through the Payroll Office, EMRTC labor rate schedule, Graduate Office or through the list of Faculty salaries developed by Academic Affairs. If you are proposing graduate student support, refer to graduate stipend guidelines for the appropriate provision.

**Note the following disclaimer should appear on proposals when hours are proposed by a group and/or individuals not subject to time cards:** "Hours proposed are for estimation purposes only. NMIMT maintains level of effort records in compliance with federal requirements as approved by NMIMT’s federal audit agency.” **In addition, it is best to fully**
disclose the fact that Tech is subject to costing principles in OMB A-21 and as such we are allowed to implement a methodology referred to as "After the fact Activity Records" (Section J.10 paragraph c.2) meaning agreements are charged according to effort performed and substantiated on bi-annual personnel activity reports.

Provisions for anticipated salary increases should be made in the budget if the program spans more than one year. Annual salary increases are set by the Legislature of the State of New Mexico.

Students may work on campus up to 40 hours per two-week pay period if they carry a full academic load during regular sessions. They may not work more than 40 hours per two-week pay period while classes are in session. During semester breaks they may work up to 40 hours per week if authorized by the employing department and the Financial Aid Office. For contract/grant purposes, the PI must obtain prior permission from the Business Office to propose hours for a student that are different from regular working hours defined in the employee handbook as Monday - Friday 8:00 a.m. to 5:00 p.m. The maximum amount to be paid to an undergraduate student is $15/hour.

Federal workstudy wages should not be charged to a federal agreement. This is due to the fact that the match must come from non-federal sources. (OMB A-110 Subpart C.23). NM workstudy may be used if student qualifies as a recipient.

Project administrative type (includes clerical salaries) costs may be charged directly when the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by academic departments (Section F.6.b.2). OMB A-21 Section C lists examples of when it would be appropriate to direct charge administrative or clerical staff salaries. The list includes, individual projects requiring project specific database management, individualized graphics or manuscript preparation.

Budget justifications are required when proposing administrative type costs. The primary purpose of a justification is to provide support for the funds requested to ensure adequate funding. The following are key elements that are to be included in budget justifications:

- A description of the expense or service (i.e., manuscript preparation)
- How it relates to and benefits the project
- The anticipated cost
- The time-period in which it will be utilized
- Any other information that will aid the sponsor in evaluating and funding the proposed item of cost.

If the project qualifies as major project/activity (see definition above) be sure to include project specific details to highlight the activities that make the project administratively intensive and thus a major project. When such costs are explicitly listed and justified in the sponsor-accepted budget, grant/contract administrators, auditors and sponsoring agencies can easily understand the nature of the costs and their allowability under the regulations.

Finally, a provision should be included for a project cost accountant when the funding agency requests earned value management reports (EVM’s) on a project. EVM’s are administratively intensive because in essence Tech is being asked to provide/track cost accounting information from a fund accounting system. The requirement is normally stated in the request for proposal or could be included as a condition of the award. If the requirement wasn’t included in the solicitation and the resulting cost proposal but is a condition of award, then this constitutes
an out of scope change and negotiations should include a request for additional funding to cover personnel to address a very unique reporting requirement.

B. Fringe Benefits

Fringe benefits for NMIMT employees include FICA, participating insurance (medical, life, dental and accidental death), retirement benefits, unemployment compensation and workman’s compensation.

Actual fringe benefits vary with salary level and elected employee benefit options; therefore, it is not possible to accurately calculate the fringe benefit rate in advance for personnel to be employed. Fringe benefit rates used for proposal purposes represent an average at a given point in time and are considered sufficient for estimation purposes. For reimbursement purposes, actual fringe benefits are identified and charged to benefiting account(s).

Main campus is currently on a cash basis of accounting for accrued leave such as annual leave, sick leave and holiday pay while EMRTC is on the accrual basis. This is reflected in the rate structure of each group.

Rates are calculated on a periodic basis and are based on a review of current state and federal regulations outside the institute’s control. They are currently established at:

<table>
<thead>
<tr>
<th></th>
<th>Main Campus</th>
<th>EMRTC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>32%</td>
<td>60.9%</td>
</tr>
<tr>
<td>Student employee</td>
<td>2%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

C. Supplies and Expenses

This category includes chemicals, reference materials, lab fuels, computer software, lab supplies, field supplies, expendable equipment, toner cartridges, diskettes, tapes for tape drive backup (if the sponsored agreement involves extensive data accumulation and analysis), sample analysis, copying (i.e., reference materials or required for distribution of technical manuscripts) and postage charges necessary to communicate research results to the sponsor, colleagues and collaborators, etc.

Office supplies – sponsors assume that NMIMT will provide some base level of support for the routine tasks associated with sponsored agreements. However, if normally administrative type costs (e.g. office supplies, postage, local telephone costs etc) are planned and consumed during the performance of a project’s technical scope of work then they would be appropriately charged as direct costs to that project. In order to avoid any confusion, there should be a provision for the items in the budget and a justification identifying the special circumstances requiring the direct charging of these types of expenses.

D. Basic Telephone

– In most situations, basic telephone charges would not be allowable as direct charges to federally sponsored research programs. However, if an integral part of meeting the objectives of a project was the installation of a crisis line or some other dedicated line (for data receipt or cell phones required for field site coordination etc.) it would be appropriate to charge the costs for these services directly to the project. Note: Long distance charges are allowable direct charges, provided the calls can be directly assigned to a specific project.
E. Computer Costs

Computer costs incurred to satisfy research programmatic requirements such as data analysis, statistical sampling, mathematical modeling etc. are allowable as direct charges to an agreement.

In cases where two or more projects benefit from the same computer, the allocation methodology must be reasonable and defensible.

F. Travel

Indicate the number and estimated cost of trips as well as the destination of each trip (if known) and the number of individuals on each trip. If the exact location is not known, the general geographic location should be specified. The estimated cost should normally include and itemize airfare or other mode of transportation, the number of days of per diem etc.

Reimbursement for travel, lodging, meals and incidental expenses incurred by NMIMT personnel will be charged and monitored in accordance with NMIMT's travel policy. If you are traveling on direct federal funds, reimbursement cannot exceed federal joint travel regulations. Contact travel department for rates and check with RFD for funding source of your project.

G. Equipment

Defined as any article of permanent, tangible property having a useful life of more than two years and having an acquisition cost of more than $5,000 (Threshold changes periodically, check with Property Office for changes.) When proposing equipment costs be as specific as possible i.e., list type, model number and manufacturer. If equipment needs are not definite, probable choices may be listed with an estimation of costs.

Note there is a difference between special purpose equipment meaning equipment, which is used, only for research, scientific or other technical activities and general purpose equipment. General purpose equipment means equipment, the use of which is not limited only to research, scientific or other technical activities. Examples, include office equipment anc furnishings, air conditioning equipment, motor vehicles and automatic data processing equipment. (Refer to OMB A-21 Section J. 18 for complete listing).

Special purpose equipment is always allowable as direct charges with the approval of the sponsoring agency. While, general purpose equipment purchases are unallowable unless where approved in advance by the sponsoring agency.

Do not use federal funds to upgrade equipment purchased with state funds. This is due to the fact that there could be a conflict over title upon completion of the project. Check with the financial administrator of your account(s) to determine if a conflict will arise.

Finally, if you are anticipating a federal cost reimbursement contract and wish for NMIMT to retain title to the equipment after completion of the award. Specifically, request retention under FAR 52-245-5 Alt I. Prior approval must be requested and approval granted before acquisition of property in order to be retained.

H. Fabricated Equipment Costs

OMB A-21 excludes capital items and capital components from the OH calculation. In order to facilitate the review/approval of the cost proposal, the Principal Investigator should segregate
these type of expenditures into a separate column within their budget worksheet. Keep in mind that the equipment components are exempt from the overhead rate in accordance with OMB A-21 and should be charged to BANNER account code 730107 (Equipment Fabrication/legacy object code 69Y) when the sole purpose of the contractual agreement is to fabricate and deliver an item. For other agreements where fabrication costs are being incurred but the sole purpose of the agreement is not the delivery of an item, use BANNER account code 730106 (Equipment Const. Comps./legacy object code 710) for capital components. Note both of these codes are overhead exempt. Upon award a separate task should be established in order to segregate and capture these costs for identification purposes.

Finally, upon completion of the equipment, Property office must be notified in order for them to tag the unit for tracking and reporting requirements unless the item is to be immediately delivered to the funding agency in which case there are no tracking/reporting requirements (BANNER account code 730107/legacy object code "69Y").

I. Building Construction Costs

Periodically NMIMT receives funds from an agency to construct a building for a particular project/program. If work is to be performed by an outside vendor, then the appropriate account code is 730202 (legacy object code 751) for building construction costs, account code 730204 (legacy object code 752) for built in equipment and 730106/730101 (legacy codes 710/720) for movable equipment. Infrastructure expenses such as utility lines etc. should be coded to 730206 (legacy code 754). These codes are reserved for capital items and are overhead exempt.

In situations whereby Tech employees are performing the building construction labor costs should use regular payroll object codes and the costs should be burdened accordingly. Built in equipment should be coded to 730204 (legacy 752) and movable equipment coded to 730106 or 730101 (legacy object codes 710 or 720). Infrastructure expenses such as utility lines etc. should be coded to 730206 (legacy code 754).

J. Subrecipients & Consultants

Working independently, the subrecipient (also referred to as subcontractor) performs a portion of the work scope of the project and acts as the PI in directing this portion of the project. The work under the subcontract is done at a location other than the awarding institution. Normally a deliverable is required. Subcontractor typically owns any intellectual property created on its portion of the project. Refer to NMIMT's Subrecipient Policy for guidelines. Subcontract instrument is issued and indirect cost rate is applied on the first $25,000 (regardless of the period covered by the subcontract).

BANNER account codes for subcontractors are 710412-710421. Assign a unique account code for each unique subcontract within a Grant regardless of the FUND in order for the system to automatically calculate IDC on the first $25k of each subagreement.

The consultant provides needed expertise but does not independently pursue a line of inquiry on the project. A consultant works under the direction of the PI, and the consultant's work may take place at the awarding institution. Professional Services Agreement is issued through Purchasing system and overhead is applied on the entire amount of the award. Consultant has no intellectual property rights.

PI should request a signed proposal for the proposed work from any potential subrecipient(s). Each proposal should include the proposed approach to completing the requirement, level of effort, a budget, a definition of time commitments, deliverables and technical information.
If it is necessary to consider a sole source, a justification should be provided in the budget narrative which will be presented to the prospective funding agency for approval. Otherwise, the PI must solicit bids from several organizations. Note: Prior written approval from the funding agency may be required before issuing a subcontract.

Tips for Determining a Subrecipient Relationship: Institutions often use this test to determine a subrecipient relationship:

Whether an individual at the subrecipient entity could be the co-author of scientific manuscripts that describe the research results or whether the subrecipient entity has the right to file for intellectual property protection of inventions or software. (NACUBO 12/2001)

K. Student Aid

Costs of scholarships, fellowships, and other programs of student aid are allowable only when the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsoring agency. Payment requires completion of a Domestic Educational Assistance Funds form (DEAF) completed and signed by Federal Compliance Officer and then to Student Accounts Receivable. (OMB A-21 Section J.45)

L. Meetings and Conferences

Costs of meetings and conferences, when the primary purpose is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, and other items incidental to such meetings or conferences. (OMB A-21 Section J.32) However, in order to substantiate the allowability of the cost the PI must attest to the purpose of the meeting through the use of the Professional Activity Cost Form. Note these expenses are different from entertainment type expenses and consequently require the completion of a different form.

M. Rental Costs

Rental costs are excluded from overhead calculation. They are defined as external rental costs for which NMIMT does not have associated operating costs. For example, office equipment, heavy equipment, leases.

N. Facility Support

Facility Support rate charges are unique to EMRTC and represent the recovery mechanism for EMRTC’s testing range. The rate is audited by DCAA and negotiated with ONR on an annual basis. It is calculated in the following manner: multiply negotiated rate x modified total direct costs (MTDC) of the project. Overhead is then applied to both the facility support cost and MTDC.

O. Work Visas

NMIMT established guidelines whereby each respective university division or department in need of petitioning the Immigration and Naturalization Service (INS) through the Human Resources Office in order to hire eligible foreign national employees will be solely responsible for the costs incurred.

Contractual funds can be used for expenditures such as visa application services if the prospective immigrant hire is needed specifically for fulfilling a contractual role and the criteria outlined below was satisfied. Otherwise, special funding for paying for visa application services
may be obtained from other sources, provided the requesting department properly justifies its request and obtains permission from the President.

In order to charge directly to a benefiting sponsored agreement, the following criteria must be satisfied: individual must be hired solely for the benefit of a particular sponsored agreement, full disclosure in cost proposal via a provision for the expenditure and a written justification. Finally, the agency must not have taken exception to the expenditure in any manner.

**P. Cross Campus Consulting**

Periodically, a need exists to collaborate with a separate department and/or research center and two different rate structures for the group(s) are involved. For example, EMRTC may request the services of the Metallurgy Department. In this case, Metallurgy should prepare a cost proposal which reflects the rate structure for the academic group. EMRTC would then include a provision for Metallurgy’s effort in their cost proposal to the agency.

Upon award, two separate accounts should be established one for EMRTC’s effort and one for Metallurgy’s effort which reflects the appropriate rate structure for each group. The accounts should then be invoiced together if they are under the same contract/purchase order.

**Q. Fixed Fee**

Fixed fee (FF) is normally charged by groups which do not receive operating or capital appropriations from the State of NM i.e., EMRTC, IERA and ICASA. It is normally charged to Department of Defense and private agreements but may be charged to any agreement where a degree of risk is involved and agreed upon by the contracting officer. Reasonableness or allowability of fee can be determined by the negotiating parties using guidelines in DFAR 215.404-4 through DFAR 215.404-72 (Modified weighted guidelines method for nonprofit organizations other than Federally Funded Research & Development Centers (FFRDCs)).

The purpose of modified weighted guidelines is to provide a uniform and consistent manner for rewarding risk, motivating efficient and quality performance and stimulating capital investment in the defense industrial base. (DFAR 215-404-4).

The guidelines focus on three factors: performance risk, contract type risk and facilities capital employed. Values are then assigned to each factor and multiplied by the base which results in a return objective for that factor. Each factor has a normal value and a designated range of values depending on items such as complexity, maturity of program, administrative/management effort etc. (Refer to example for calculation purposes).

---

**IV. Indirect Costs**

The Indirect Cost Rate is the mechanism used to allocate a portion of Tech’s infrastructure to research funding agencies. Operating expenditures are collected in seven indirect cost pools and include costs for operations and maintenance (i.e., heating, cooling, electricity, janitorial services etc), general administrative expenses of departments such as Purchasing, Accounting, Payroll, etc., department administration, sponsored research administration, library, equipment and building usage. These costs are included in the overhead rate. (Refer to ONR overhead rate
agreement for current rates and to Overhead Rate Development for a complete description on how the rate is calculated).

The Distribution Basis (OMB A-21 Section G.2): The rate is applied on the basis of modified total direct costs, which consists of all salaries and wages, fringe benefits, materials and supplies, services, travel and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000 shall be excluded from the calculation.

NMIMT establishes rates for the organized research enterprise and other sponsored activities. Definitions follow

"Organized Research" - refers to all research and development activities of an institution that are separately budgeted and accounted for. It includes research activities supported by federal, nonfederal sponsors or the activity can be funded internally. Research is the systematic study directed toward fuller knowledge of the subject involved and includes rigorous inquiry, experiment or investigation.

"Other Sponsored Activities" - refers to activities that involve performance of work other than research. Examples include: non-research training agreements, sponsored instruction, course development, community service programs, testing agreements.

V. References

Office of Management and Budget Circular A-21, "Principles for Determining Costs Applicable to Grants, Contracts and Other Agreements with Educational Institutions."


PERSONNEL ACTIVITY REPORT (PAR) INSTRUCTIONS

*Document last modified 10/20/2006

This is a working document and as such, we would appreciate any information and/or insight which would help us develop stronger policies for NMIMT's research community

DEFINITIONS

OMB A-21 - Federal Office of Management and Budget Circular (OMB A-21), "Cost Principles for Educational Institutions" establishes principles for determining costs applicable to grants and contracts with educational institutions.

Effort - for the purpose of the PARs, is all work performed for compensation and received from NMIMT. Effort is always stated in percentages of total effort that is always equal to 100% even if it is part-time or a portion of the reporting period.

Volunteered Cost Sharing - defined as effort above and beyond that which was proposed/accepted by the funding agency. For the purpose of the PARs, it is the percent of effort worked on a sponsored project in excess of the percent of pay received from that project. Volunteered cost share differs from contractually obligated cost share which is defined as effort proposed/accepted by funding agency. Contractually obligated cost share must be tracked documented in accordance with NMIMT's Cost Share Policy available at http://infoserve.nmt.edu/rfunds/Cost Share

Cost sharing in more general terms, represents NMIMT's share of funding for a specific sponsored project.

GENERAL

OMB A-21 prescribes required substantiation and documentation of direct and indirect (via overhead rate) payroll costs charged to federal grants and contracts. To comply with the requirements, NMIMT has established a Personnel Activity Report (PAR) system which consists of after-the-fact effort reporting (Section J.10.C2). In addition to meeting the substantiation requirement, the PAR will be used as a tool to monitor if functions of various accounts have deviated from their originally intended (and coded) purposes.

The Personnel Activity Report (PAR) represents a six-month summary on how your salary was distributed to various activities of NMIMT as represented by unique account numbers.

DISTRIBUTION

PARS will be distributed semi annually to all faculty members, graduate students and staff members who are paid from sponsored projects. Principal Investigators with cost share obligations as indicated by RFD financial
administrators. Exempt employees in indirect cost pools charged to federal government include accounts with cost categories:

40 - Departmental Administration
50 - General Administration
60 - Research Administration
80 - Operations & Maintenance

INSTRUCTIONS

1. Familiarize yourself with the attached definitions of the various activities.
2. Review the distribution of your salary among the various activities. If you feel it is an adequate representation, then sign and forward to the attention of the Indirect Cost Analyst in Restricted Funds Department, Brown Hall, Room #20-D.

If you feel that the PAR is not a reasonable representation of how you have spent your time among the various activities, then indicate the percentage of time spent on the various activities under the Actual Work Distribution Column. The revised actual distribution should equal 100%.

Note - the percentage of time worked is the point of interest, not the amount paid. This exercise does not have any relation to a forty-hour workweek or any prescribed teaching load. If you are a faculty member and you average 65 hours a week on teaching, research or administrative matters, then that is 100% of your activity. If you are a graduate assistant and you average 20 hours per week in your job, then that is 100% of your time. It is not possible to have more than 100% of activities.

If there is an error on the PAR, do not erase, obliterate or use white out on the preprinted form. Instead footnote the nature of the error and return, the RFD will then forward to the financial administrator assigned to the account to research and correct.

DOCUMENTING COST SHARING

Contractually obligated cost share (proposed and accepted by funding agency) must be documented in accordance with NMIMT's Cost share policy available at http://infoserve.nmt.edu/rfunds/Cost Share

Voluntary cost share (defined as effort above and beyond that which was proposed/accepted by funding agency) can be documented in one of two ways:

- Reference a sponsored agreement (29x) account number on which you worked but were not paid. This indicates to RFD that the level of effort expended constitutes voluntary cost share.
Or

- Indicate a higher proportion of your time spent on a contract or grant. The difference between the distribution that appears on the preprinted form and the Actual Work Distribution Column constitutes voluntary cost share.

Volunteered cost share is to be "memo entered" into the IDC study as an increase to the research function in order to address allocability issue referenced in OMB A-21's clarification memo dated 1/5/2001.

"Negative Cost Sharing" - If you did not spend as much of your time on a contract or grant as the payroll distribution indicates, then the amount overcharged to the agreement will have to be charged to some other institute account.

Note: This form must be completed in order for NMIMT to ensure compliance with the various federal regulations we are subject to as a recipient of federal funds. Each employee should complete the form. If the employee is not available, then a responsible person with suitable means of verification can make the confirmation that the work was performed. Graduate students must have the Principal Investigator or Chairperson sign the form. If a staff member or faculty member signs his/her own form, no other signature is necessary.

ACTIVITY DEFINITIONS

Organized Research – all research activities which are separately budgeted and accounted for by NMIMT. Two types:

1. Sponsored research – organized research funded from federal, state and private sources.
2. University research – a form of organized research which is separately budgeted under an internal allocation of institutional funds. (Cost Category 10, A-21, Section B.1.b.1 & 2)

Other Sponsored Activities – programs and projects financed by federal and non-federal agencies and organizations which involve the performance of work other than instruction and organized research. (Cost Category 130, A-21 Section B.1.c).

Instruction – means the teaching and training activities of an institution including departmental research which means development or scholarly activities that are not separately budgeted and accounted for as research. (Cost Category 20, A-21 Section B.1.a).

Other Institute Activities - are auxiliary enterprises and costs which are "unallowable" (for indirect cost rate purposes) to sponsored agreements. Examples: Operation of residence Halls, Intercollegiate athletics, bookstores, Student Administration and Services, Lobbying and Marketing (defined as the unsolicited promotion of NMIMT) efforts. (Cost Category 30, A-21 Section B.1.d)
**Overhead Exempt** - for internal accounts i.e., profit and loss, accounts receivable, etc.

**Operations & Maintenance** – activities that have been incurred by a central service organization for the operation and maintenance of the physical plant. Examples: custodial and utility services, building repairs and grounds maintenance. (Cost Category 80, A-21 Section F.4)

**Library** - activities that directly support the operation of the library. (Cost Category 70, A-21 Section F.8)

**General Administration** – represents central general executive and administrative activities of NMIMT i.e., Payroll, Purchasing, Office of the President etc. (Cost Category 50, A-21 Section F.5)

**Departmental Administration** – administrative and supporting services pertaining to department objectives. It includes the **general activities** performed in academic departments to support instruction and research. **Examples**: administrative duties such as serving as department head or recruiting, grant and contract proposal preparation for solicitation of outside sponsor. (Cost category 40, A-21 Section F.6)

**Research Administration** – departments established primarily to administer sponsored projects. **This category does not include direct activities of an employee related to a sponsored project.** (Cost category 60, A-21 Section F.7)
Fringe Benefits

*Document last modified 6/23/06*

I. Introduction

Fringe benefits are applicable to direct salaries and wages and are treated as direct costs. NMIMT uses an average fringe benefit rate for estimating fringe benefit costs on grant applications and contract proposals. The estimation is considered sufficient for proposal purposes. For reimbursement, the cost of each benefit is specifically identified to each employee and the actual expenditures are charged individually to accounts. Rates are reviewed and adjusted periodically based on institute benefit changes and/or changes in state or federal regulations outside the institute's control.

Estimated rates used on proposals are calculated by the development of a pool of fringe benefit costs such as FICA, medicare, unemployment compensation, worker's compensation, NM Educational Retirement Plan, life insurance, health insurance, compensated absences etc. Collectively these components make up the numerator and represent costs provided to a particular category of employee. The denominator consists of salaries and/or wages provided to the same category of employee. The resulting rate represents the percentage which must be added to employees' salary and wage dollars.

The categories of employees having separate fringe benefits rates are as follows: (1) Faculty (2) Regular Employees and (3) Student Employees. In addition, main campus is currently on a cash basis of accounting for accrued leave such as annual leave, sick leave and holiday pay. This methodology means that leave is charged when taken or employee terminates employment as opposed to being charged when earned. This latter treatment is referred to as a full accrual methodology. The treatment of compensated absences accounts for the difference in the rates of regular employees (faculty status employees do not earn compensated absences).

Full accrual rates are normally established when an organization/group is essentially supported by "soft" money. Soft money is defined as funds provided by an external source for a specific project or program for a definite period of time. The purpose of the full accrual methodology is for NMIMT to have funds available to liquidate compensated absence liability accrued by such employees after an externally funded program terminates. Compensated absences are part of the fringe benefit package offered to NMIMT non-faculty employees and are accrued in accordance with the employee handbook.

Groups currently under a full accrual methodology include Tech Transfer Group (TTG), Institute for Engineering and Research Applications (IERA), EMRTC and iCAS and individuals (non faculty) on Intergovernmental Personnel Assignments (IPA's).

Associate V. P. for Finance and/or Controller to determine when a separate rate is appropriate.

II. Rates
Currently established rates:

**Main Campus**

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty</td>
<td>23.0%</td>
</tr>
<tr>
<td>Staff</td>
<td>32.0%</td>
</tr>
<tr>
<td>Student employee</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

**EMRTC**

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Employees</td>
<td>60.9%</td>
</tr>
<tr>
<td>Student Employees</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

**TTG and IERA**

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Employees</td>
<td>48.2%</td>
</tr>
<tr>
<td>Student Employees</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

**iCASA**

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty</td>
<td>22.0%</td>
</tr>
<tr>
<td>Regular Employees</td>
<td>49.6%</td>
</tr>
<tr>
<td>Student Employees</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

**EEG**

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Employees</td>
<td>45.2%</td>
</tr>
</tbody>
</table>

**III. Components**

Fringe benefits consist of the following costs for each category of employee (a full description of the benefits is available in the Human Resources Office, summary descriptions are available in NMtech’s Employee Handbook):

**Faculty**

- Health Plan
- Life Insurance
- New Mexico Educational Retirement Plan or Alternate Retirement Plan
- Tuition waiver regular full time only
- Legally required benefits (i.e., FICA, medicare, unemployment compensation and workers’ compensation)
Regular Employees, non-faculty

- Annual Leave
- Sick Leave
- Holiday Pay
- Miscellaneous Leaves: jury duty, witness duty, etc
- Health Plan
- Life Insurance
- New Mexico Educational Retirement Plan or Alternate Retirement Plan if exempt and meet certain other criteria, otherwise New Mexico Educational Retirement only.
- Tuition waiver regular full time employees only
- Legally Required Benefits (i.e, FICA, medicare, unemployment compensation and workers' compensation)

All other employees

- Legally Required Benefits (i.e., FICA, medicare, unemployment compensation and workers' compensation)

Policy Authority

Associate V.P. for Finance, V.P. Administration & Finance