



Budgeting, Pricing, and Charging

Sponsored Agreements

New Mexico Tech Business Office

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The purpose of this document is to establish guidelines necessary to comply with the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (UG) and with the Cost Accounting Standards (48 CFR Chapter 99 and 48 CFR Part 30). These regulations define which costs are allowable, for reimbursement purposes, on Federally funded grants, contracts, and other agreements (collectively referred to as restricted funds or sponsored agreements). These guidelines are applicable to all sponsored agreements of NMIMT.

This document is continually being updated; we would appreciate any information and/or insight that would help us develop stronger policies for NMIMT's research community.

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I. Introduction

The purpose of this document is to establish guidelines necessary to comply with the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG) and with the Cost Accounting Standards. These regulations define which costs are allowable for reimbursement purposes on **federally** funded grants, contracts, and other agreements (collectively referred to as restricted funds or sponsored agreements). These guidelines are applicable to all sponsored agreements of NMIMT.

Uniform Guidance requires that "costs incurred for the same purpose, in like circumstances," must be treated consistently as either direct costs (DC) or as indirect costs (IDC or F&A)" (Section 200.413 Direct Costs) Accounting for expenditures in a consistent manner ensures that the same types of costs are not charged to sponsored agreements both as direct and F&A; thus, the sponsor is not paying twice for the same type of costs in like circumstances.

Uniform Guidance Section 200.420 Considerations for Selected Items of Cost states that "In case of a discrepancy between the provisions of a specific sponsored agreement and the provisions below **the federal award governs** (emphasis added).

New Mexico Tech requires that a proposal routing sheet be attached to the final technical and cost proposal and routed for approval **prior to its submission** to the prospective funding agency. The proposal routing sheet is an internal document but may also be submitted to the funding agency if requested. The proposal routing sheet can be found on the NMT Research & Economic web page under "[General Research Forms](#)."

A budget narrative or justification should be prepared to explain how the budgeted costs relate to the project. The narrative should provide sufficient detail to allow the sponsor to determine whether the proposed costs are reasonable and appropriate. Key elements to include in the narrative are:

- A detailed justification of the expense or service
- How the expense relates to and benefits the project
- The anticipated cost
- The time period in which it will be utilized
- Other information that will aid the sponsor in evaluating the proposed item

This document begins with definitions and then discusses the application of direct costs and indirect costs to sponsored agreements with New Mexico Tech.

The following discussion 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 New Mexico Tech. Note that cost proposals represent best guesstimates. Research by definition implies that unknown factors will arise and costs will be 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

Uniform Guidance states that 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 (Section 200.413)

Section 200.413, paragraph (b), states 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.

Uniform Guidance provides two methods for allocating an allowable direct cost to two or more grants. First, "If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit." Second, "If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then . . . the costs may be allocated or transferred to benefited projects on any reasonable documented basis. . . ." (Section 200.405 (d).)

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

Uniform Guidance states that "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" (*Appendix III(A)*). Indirect costs are infrastructure costs of NMIMT that support all programs of the university, e.g., instruction, research, and other sponsored programs.

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.

III. Direct 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.

A. Salaries and Wages

The salaries and wages section of the cost proposal 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: NMIMT does not, as a rule, allow non-NMIMT individuals to serve as Principal Investigator (PI) or Co-Principal Investigator (Co-PI) on a project. However, if the individual is at Tech with an appointment of some sort, such as a visiting faculty, adjunct faculty, or post doc then the individual is allowed to serve as PI or Co-PI on research projects provided there is a full time NMIMT faculty serving as PI or Co-PI on the project and Vice Presidential approval has been obtained.

Proposed salaries can be verified through the Payroll Office, Human Resources website, EMRTC labor rate schedule and/or Graduate Office. If you are proposing graduate student support, refer to [NMIMT's 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 New Mexico Tech is subject to Standards for Documentation of Personnel Expenses as discussed in Uniform Guidance, Section 200.430(h)(8)(i)*

Provisions for anticipated salary increases should be included 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 are classified as non-exempt employees and as such are subject to the Fair Labor Standards Act. Refer to the Department of State Labor Fact Sheet #22 which states, ". . . Work not requested but suffered or permitted to be performed is work time that must be paid for by the employer. . . .". Consequently, hours worked are compensable.

A full-time student employment contract is defined as working up to 40 hours per two-week pay period. Students 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 AM to 5:00 PM.

Federal work-study wages should not be charged to a federal agreement because the match must come from non-federal sources (Uniform Guidance 200.306 (b)(5) NMIMT work-study may be used if a student qualifies as a recipient.

a. Salary Basis

In accordance with the Uniform Guidance Section 200.430 Compensation –Personal Services, paragraph (h)(2), Charges for work performed on Federal Awards by faculty members during the academic year are allowable at the institutional base salary (IBS). IBS is defined as the annual compensation paid by an Institution of Higher Education for an individual’s appointment, whether that individual’s time is spent on research, instruction, administration, or other activities. For periods outside the academic year, paragraph (h)(5), charges for work performed by faculty members on federal awards during periods not included in the base salary period will be at a rate not in excess of the IBS.

Unless there is prior approval by the federal awarding agency, charges of a faculty member’s salary to a Federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award

The only exception to allow for compensation above the base salary is a very specific exception for consultation across departmental lines or involving a separate or remote operation and when the work performed by the faculty member is in addition to his or her regular responsibilities. Any charges for such work representing additional compensation above IBS are allowable provided that such consulting arrangements are specifically provided for in the Federal award or approved in writing by the Federal awarding agency. Refer to Section 200.430 paragraph (h)(3).

B. Extra Service Pay

Extra service pay normally represents overload compensation, subject to institutional compensation policies for services above and beyond IBS. (Section 200.430 (h)(4)

Federal rules and regulations, including *Uniform Guidance* and the National Institutes of Health (NIH) *Grants Policy Statement*, do not allow for an individual’s institutional base salary to be increased as a result of obtaining grant funding. These federal rules and regulations also restrict the payment of overload, bonus, or other payments outside the individual’s institutional base salary. Research, public service, and instruction are all considered part of a faculty member's

regular duties. Further, faculty and exempt staff employees are salaried employees and not subject to the *Fair Labor Standards Act*; therefore, exempt employees are expected to work as many hours as necessary to accomplish their job functions. This means that requests for supplemental compensation should be rare.

Refer to Tech's general policy regarding supplemental pay.

a. Criteria for Charging Administrative Expenses Directly to a Sponsored Project

According to *Uniform Guidance, Section 200.413(c)*, "The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct Charging of these costs may be appropriate only if all of the following conditions are met:

- (1) Administrative or clerical services are integral to a project or activity;
- (2) Individuals involved can be specifically identified with the project or activity;
- (3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
- (4) The costs are not also recovered as indirect costs.

b. Earned Value Management Reporting Requirements

Include a provision for a project cost accountant when the earned value management (EVM) report is a condition of an award agreement. If possible, negotiate this type of reporting requirement out of an award.

EVMs 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.

C. Fringe Benefits

Fringe benefits for NMIMT employees include FICA, participating insurance (medical, life, dental, and accidental death), retirement benefits, unemployment compensation, and worker'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 the benefiting account(s).

Accounting for accrued leave, such as annual leave, sick leave, and holiday pay, is currently on a cash basis for the main campus; various research centers, such as EMRTC, PRRC, etc. 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. Please refer to the Fringe Benefits document for current rates.

Refer to Fringe Benefits document for current rates.

D. Materials and Supplies

Materials and supplies used for the performance of a federal award may be charged as direct costs. These include items such as chemicals, reference materials, lab fuels, computer software, lab supplies, field supplies, expendable items (i.e., computing devices), toner cartridges, flash drives for backup purposes, if the sponsored agreement involves extensive data accumulation and analysis, sample analysis, copying (e.g., reference materials or copies required for distribution of technical manuscripts), and postage charges necessary to communicate research results to the sponsor, colleagues, and collaborators.

In regard to office supplies, sponsors assume that NMIMT will provide some base level of support for the routine tasks associated with sponsored agreements. However, if normal administrative 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, provision for these items should be included in the budget along with justification for the special circumstances that require the direct charging of these types of expenses.

E. Communication Costs

Communication costs such as cell phones, pagers, internet access, local calls, telephone equipment purchases and/or installation and repairs, and data communications are considered routine and normal business costs and as such should be recovered through the F&A process. This treatment of such costs allows for consistent recovery through the F&A rate mechanism and allows Tech to satisfy federal requirements that costs incurred for the same purpose in like circumstances are treated consistently as either a direct or an F&A cost.

Long distance calls incurred through the ITC telecommunications system are allowable direct charges provided the calls can be directly assigned to a specific project and properly supported.

Consistent with University policy, employees may receive, in the case of cell phone usage, a mobile telephone allowance for the business portion of a personal cell or personal digital assistant device. The allowance can be charged to departmental FUND (where approved by the department's chair), University discretionary FUND or the PI's discretionary FUND.

The direct charging of communication costs to a sponsored agreement can only occur under exceptional circumstances. For example, network charges where a dedicated line is required for large data transmissions. Or in cases of a cell phone allowance, direct charging may be justifiable when the expense is related specifically to the technical substance of a project or there is an unusually high level of expense because of the nature of the activity. However, to be allowable (for agency reimbursement purposes) communication costs must have been specifically budgeted and included in the project proposal approved by the awarding agency.

F. Travel

Travel provisions must conform to both agency regulations and university policies. Include *only travel that is directly related/beneficial to the research* and not travel to explore future funding opportunities. Travel costs include transportation to the destination, lodging and expenses for meals, local transportation, mileage, etc.

Describe the relationship of the travel to the project and provide details such as method of transportation, destination(s), mileage, airfare, number of trips to each destination, name of conference(s), if known, and number of individuals traveling on the project. Sufficient detail allows the sponsor to determine whether the proposed costs are reasonable and appropriate.

If allowed by the granting agency and your proposed and approved budget, Tech will allow you to base your request for reimbursement (lodging, meals, incidentals and mileage) on the Federal per diem and mileage rates. Otherwise, costs are reimbursed in accordance with NMIMT's travel policy.

Note travel incurred in connection to a research project cannot be charged to the project unless one of the three conditions has been satisfied: 1) project personnel's effort is also being charged directly to the research project or 2) project personnel's effort is being paid thru an official cost share arrangement on the award or for faculty or staff, voluntary uncommitted cost share is recorded 3) the PI has proposed and the funding agency accepted participant support costs. Participants cannot be employed on the project. NMIMT **employees are not participants**. Refer to Item #S Participant Support Costs for a complete discussion.

In order to distinguish travel for project personnel employed on the project versus participant/trainee travel costs a provision for each type should be included in the cost proposal and the benefit to the project outlined in the budget narrative or justification. Suggested statements

\$xxx is allocated for travel to the field, meetings, etc. for project personnel.

\$xxx is allocated for participant/trainee costs from NMIMT and/or other institutions to meet the demands of the project.

G. Equipment

Uniform Guidance Section 200.33 defines equipment as tangible personal property (including

information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. Proposed equipment costs should be as specific as possible, i.e., should include the type, model number, and manufacturer. If equipment needs are not definite, probable choices may be listed with an estimation of costs.

Special purpose equipment—meaning equipment that is "used only for research, . . . scientific, or other technical activities" (Section 200.89)—is not the same as general purpose equipment, "which is not limited only to research, . . . scientific, or other technical activities. Examples include office equipment and furnishings, . . . telephone networks, information technology equipment and systems . . . printing equipment . . ." (Section 200.48)

Special purpose equipment purchases are always allowable as direct charges with the approval of the sponsoring agency. General purpose equipment purchases, however, are not allowable unless approved in advance by the sponsoring agency.

Computers (inventoriable and non-inventoriable) used to accomplish the technical scope, may be charged directly to sponsored awards provided 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. Computers (inventoriable and non-inventoriable) used for administrative work would need to meet the tests of allowability to be directly charged to a sponsored award.

Do not use federal funds to upgrade or modify equipment purchased with state funds because there could be a conflict over title upon completion of the project. In addition, do not use multiple funding sources for equipment purchases in order to avoid potential title conflicts. 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 -1 Alt II*. Prior approval must be requested and granted before acquisition of property in order for it to be retained.

H. Fabricated Equipment Costs

Uniform Guidance excludes capital items and capital components from the overhead (OH) calculation. In order to facilitate the review/approval of the cost proposal, the principal investigator (PI) may segregate these types of expenditures into a separate column within the budget worksheet.

Upon award, a separate task may be established in order to segregate and capture these costs for identification purposes.

Once the fabricated equipment is completed, the PI must notify the Property office in order for Property 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.

Fabricated items delivered to sponsors or sponsor directed third parties before it has been used in place at NMIMT for at least one year will not be considered Capital Equipment. Instead the items will be coded as account: 720024 SPA Fabricated Deliverable End Item and will incur F&A.

For other agreements where fabrication costs are incurred but the sole purpose of the agreement is not the delivery of an item use BANNER account code 730106 Equipment Construction Components. Note this account code is overhead exempt.

I. Building Construction Costs

Periodically, NMIMT receives funds from an agency to construct a building for a particular project or program. If work is to be performed by an outside vendor, then the appropriate Banner account code is 730202) for building construction costs, account code 730204 for built-in equipment, and account codes 730106/730107 for movable equipment. Infrastructure expenses, such as utility lines, etc., should be charged to Banner account code 730206 These codes are reserved for capital items and are overhead exempt.

In situations whereby Tech employees are performing the building construction, labor costs should have regular payroll object codes and the costs should be burdened accordingly. Built-in equipment should be charged to code 730204) and movable equipment charged to code 730106 or 730101. Infrastructure expenses, such as utility lines, etc., should be charged to account code 730206 .

J. Subrecipients, Consultants, and Contractors

Working independently, the subrecipient **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 subaward is done at a location other than the awarding institution. Normally a deliverable is required. The subrecipient typically owns any intellectual property created on its portion of the project. Refer to NMIMT's [Subrecipient Policy](#) for guidelines. A subaward instrument is issued and indirect cost rate is applied on the first \$25,000 (regardless of the period covered by the subaward).

Banner account codes for subcontractors are 710412–710421. The PI should assign a unique account code for each unique subaward within a grant regardless of the Fund in order for the system to automatically calculate F&A on the first \$25,000 of each subagreement.

A consultant provides needed expertise but does not independently pursue a line of inquiry on the project. The consultant has no intellectual property rights. A consultant works under the direction of the PI, and the consultant's work may take place at the awarding institution. A professional services agreement (PSA) is issued through the purchasing system, and overhead is applied on the entire amount of the award. Account code 710422 is appropriate.

Contracts for other services are procurement arrangements and are not considered subawards to subrecipients. Purchasing department guidelines are to be followed, and account code 710401 is appropriate.

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

If it is necessary to consider a sole source, the PI should provide a justification in the budget that will be presented to the prospective funding agency for approval. Otherwise, the PI must solicit bids from several organizations.

Prior written approval from the funding agency may be required before issuing a subcontract.

To determine a subrecipient relationship, institutions often use the following guideline:

"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

According to *Uniform Guidance, Section 200.466*, "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 Federal awarding agency. . ." To receive payment, a Domestic Educational Assistance Funds (DEAF) form must be completed, signed by the Federal Compliance Officer, and forwarded to Student Accounts Receivable.

L. Meetings and Conferences

Uniform Guidance Section 200.432 – " A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award. Allowable conference costs paid by the non-Federal entity as a sponsor or host of the conference may include rental of facilities, speakers fees, costs of meals and refreshments, local transportation and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. . . ."

In order for business meals to be charged to an externally funded sponsored project the following must be documented via the [Professional Activity Cost Form](#).

- The meal must be part of a formal business meeting and integral to the continuity of conducting business
- The meeting must include external participant(s). For example, representative of the awarding agency such as program officer, contracting officer and/or consultant, subrecipient etc.

- The business discussed during the meal must be integral to the goals and objectives of the project

The usage of the Professional Activity Cost Form is not required for meal expenses incurred on a project but not related to a conference type expense. For these types of expenses a direct payment form can be used with proof of agency approval attached either in the form of the approved budget with this type of cost proposed or retroactive agency approval.

M. Rental Costs

The rental costs of off-campus space are exempt from overhead calculation in accordance with the Uniform Guidance Appendix III to Part 200 Paragraph (C) (2) F&A distribution basis. Also refer to Section 200.68 Modified Total Direct Cost (MTDC)

N. Facility Support

Facility support rate charges represent a direct cost and are unique to specialized service facilities such as EMRTC. This is a recovery mechanism for usage of EMRTC's testing range. The rate is audited by the Defense Contract Auditing Agency (DCAA) and negotiated with the Office of Naval Research (ONR) on an annual basis. It is calculated in the following manner: modified total direct costs (MTDC) of the project are multiplied by the negotiated rate. Overhead is then applied to both the facility support cost and MTDC.

O. Work Visas

NMIMT has established guidelines whereby each respective university division or department that needs to petition 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 to pay for visa application services if the prospective immigrant hire is needed specifically to fulfill a contractual role and meets the criteria outlined in the following paragraph. 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 visa application services directly to a benefiting sponsored agreement, the following criteria must be satisfied: the individual must be hired solely for the benefit of a particular sponsored agreement; full disclosure must be made in the cost proposal via a provision for the expenditure, along with a written justification; and the funding agency must not take exception to the expenditure in any manner.

P. Cross-Campus Consulting

Periodically, a university division or department needs to collaborate with a separate department and/or research center, and two different rate structures for the groups are involved. For example, EMRTC may request the services of the Metallurgy Department. In

this case, Metallurgy should prepare a cost proposal that 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 FUNDS should be established, one for EMRTC's effort and one for Metallurgy's effort; each FUND reflects the appropriate rate structure for each group. The FUNDS 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 that do not receive operating or capital appropriations from the State of NM, e.g., EMRTC, PTRC, IERA, MRO and ICASA. Fixed fee is normally charged to the Department of Defense and private agreements but may be charged to any agreement where a degree of risk is involved and if agreed upon by the contracting officer.

Reasonableness or allowance of the fee can be determined by the negotiating parties using guidelines in the *Defense Federal Acquisition Regulation Supplement (DFARS) 215.404-4* through *DFARS 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. (*DFARS 215-404-4*).

Modified weighted 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).

R. Participant Support Costs

Participant support costs are those costs paid to (or on behalf of) participants or trainees (not employees) for participation in meetings, conferences, symposia and workshops, or other training activities when there is a category for participant support costs in the award. Registration fees, travel allowances, manuals and supplies, tuition and stipends may be regarded as participant support costs in this case.

Participant support costs do not include:

- Payments made to research subjects as an incentive for recruitment and participation in a research project.
- Honoraria paid to a guest speaker or lecturer.
- Costs that cannot be specifically identified to participants.

Who is a participant?

Program Participants are individuals who are the recipients of service or training provided at a workshop, conference, seminar, symposia or other short-term instructional or information sharing activity funded by an external grant or award.

Participants perform no work or services for the project or program other than for their own benefit. A participant is not involved in providing any deliverable to the university or a third party, or would not be terminated or replaced for failure to perform.

Participants do not include NMIMT employees but may include students, national scholars and scientists, private sector representatives, teachers and others who attend and participate in a formal conference, workshop, or training activity **Project staff on a research project do not qualify as participants.**

For example, a person classified as an intern would be paid as an employee and not as a program participant, because the intern, while receiving certain training, is also providing services to NMIMT, the grant sponsor, or a third party.

The term “participant/trainee support costs” is identified specifically on National Science Foundation (NSF) awards but may be awarded by other sponsors but not necessarily referred to as “participant support costs”

The PI should review agency proposal requirements to determine if the sponsor prohibits the university from applying F&A costs to these charges. **Note – this varies by program and/or agency so verify the applicability of F&A on participant/trainee costs.** This practice ensures appropriate treatment and coding in the pre award and post award stage of the project.

Written sponsor approval may be required for any rebudgeting into or out of the participant support cost budget category. Refer to terms of award.

Participant support costs must be segregated in NMIMT’s financial system. Use the following overhead exempt account codes established for participant support costs in BANNER system or establish a separate FUND within the grant in order to keep participant support costs separate, restrict budget changes and avoid charging indirect costs:

- 730030 -Participant Support Costs/Stipends
- 730031-Participant Support Costs/Subsistence
- 730032-Participant Support Costs/Travel
- 730033-Participant Support Costs/Other

S. Payment Mechanism for Participant Support Costs

The following steps should be followed to pay a participant:

- 1) Department completes a Domestic Educational Assistance Funds (DEAF) Form in order to post the payout to the student's account at the start of the program. General Accounting assigns a detail code as required.
- 2) For participants that are not U.S. citizens, the student account is reviewed by the Federal Tax Compliance Manager. If there is a requirement to withhold federal income tax, Student Accounts receives the memo from the Federal Tax Compliance Manager and posts the tax withholding to the student account. This can be completed any time after they are admitted. The participant may have to forward copies of immigration documents to the Federal Tax Compliance Manager to support the tax analysis. Note full payout is taxable income for those who are non-resident aliens for tax purposes.
- 4) If on-campus housing is provided, the charges are booked to their account.
- 5) Student visits the Cashier Office and withdraws the balance of their account.

Monitor expenditures for appropriateness throughout the life of the award. Consult with contract administrator assigned to your department for further clarification or assistance.

IV. Indirect Costs

The indirect (F&A) 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 (e.g., heating, cooling, electricity, janitorial services, etc.); general administrative expenses of departments such as Purchasing, Accounting, Payroll, etc.; department administration; sponsored projects 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).

According to *Uniform Guidance*, the F&A cost rate is applied "on the basis of modified total direct costs, consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel and subgrants and subawards 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 modified total direct costs" (Refer to Appendix III to Part 200, paragraph (C) (2) and Section 200.68 Modified Total Direct Costs).

NMIMT establishes rates for organized research and other sponsored activities. 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 or nonfederal sponsors or funded internally. Research is the systematic study directed toward fuller knowledge of the subject involved and includes rigorous inquiry, experiments, or investigation. Research can also be described as the pursuit of new knowledge, understanding existing knowledge, or testing/proving existing knowledge.

Other sponsored activities refer to activities that involve performance of work other than research. Examples include non-research training agreements, sponsored instruction, course development, community service programs, and testing agreements.

V. References

Code of Federal Regulations Title 2: Grants and Agreements Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

National Association of College and University Business Officers (NACUBO). *A Guide to Managing Federal Grants for Colleges and Universities.*

National Council of University Research Administrators (NCURA). *Sponsored Research Administration—A Guide to Effective Strategies and Recommended Practices.*

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