

An Explanation of Effort Classifications for Subsidiary Ledger Accounts and Support Accounts within TAMUS As Interpreted from OMB Circular A-21

The purpose of this paper is to provide a definition and explanation of (1) Direct Costs, (2) Facilities and Administrative (F&A) Costs, and (3) Effort Codes as it relates to those Texas A&M University System Members required to calculate a long-form F&A cost proposal. This is a guide to the OMB Circular A-21 cost pools. References to sections in parentheses are found in Circular A-21. Please consult Circular A-21 at the following web address for further information: http://www.whitehouse.gov/OMB/circulars/a021/a021_2004.html. In some cases cost pools are broken down into more than one effort code.

1. Direct Costs Defined

Direct costs (section D) are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or F&A costs. Where A&M System Members treat a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution.

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 costs of sponsored agreements. Typical costs charged directly to a sponsored agreement are:

- Compensation of employees for performance of work under the sponsored agreement,
- Costs of materials consumed or expended in the performance of the work, and
- Other items of expense incurred for the sponsored agreement.

2. F&A Cost Defined

F&A costs (section E.1) are those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. Examples of facilities costs are depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. Examples of administrative costs are general administrative and general expenses, departmental administration, sponsored projects administration, student administration and services and all other types of expenses not listed specifically under one of the subcategories of facilities. These costs represent a real expense to the institution in the performance of sponsored agreements.

3. Identification of Effort Classifications

Effort classification is a description of the actual activities associated with a given subsidiary ledger account or support account.

3.1 Direct Cost Pool Effort Codes

(1) **Instruction (DINS)**

Instruction (section B.1.a) includes the teaching and training activities of an institution whether offered on a credit or noncredit basis, and whether offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Sponsored instruction and training (section B.1.a.1) includes specific instructional or training activities established by grant, contract, or cooperative agreement. *DINS does not include the training of individuals in research techniques (commonly referred to as research training)* as described below in section 3.1(3)(a) sponsored research.

(2) **Departmental Research (DDPR)**

Departmental Research (section B.1.a.2) means research, development and scholarly activities that are not organized research and, consequently, are *not separately budgeted and accounted for*.

(3) **Organized Research (DRES)**

Organized Research (section B.1.b) means all research and development activities of an institution that are *separately budgeted and accounted for*. It includes the following:

(a) Sponsored Research (section B.1.b.1) means all research and development activities that are sponsored by federal and non-federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

(b) University Research (section B.1.b.2) means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds.

(4) **Other Sponsored Activities (DOSA)**

Other Sponsored Activities (section B.1.c) means programs and projects financed by federal and non-federal agencies and organizations that involve the performance of work other than instruction and organized research. Examples are health service projects and community service programs when these activities are undertaken with outside support. However when any of these activities are undertaken without outside support, they should be classified as Other Institutional Activities.

(5) **Other Institutional Activities (DOIA)**

Other Institutional Activities (section B.1.d) are all activities except: (1) instruction, organized research, departmental research, other sponsored activities, and Research Foundation clearing accounts, (2) F&A cost activities, and (3) specialized service facilities such as Cyclotron. 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.

(6) **Intragovernmental Personnel Act (DIPA)**

This effort code is used to track awards that are IPA agreements where TAMUS personnel work on an assignment at a federal agency.

(7) **Research Foundation Other Activities (RFOA)**

This effort code is for accounts set up to track Research Foundation (RF) clearing account dollars. In other words, if your Member pays principal investigator (PI) salaries that are later reimbursed by the RF the account should be coded Research Foundation Other Activities.

(8) Cost Sharing Effort Codes

(a) **Cost Sharing on Organized Research (CSOR)**

This effort code is for accounts set up to track mandatory and voluntary committed cost sharing dollars for projects that are research in function (i.e., the related project account is coded DRES).

(b) **Cost Sharing on Instruction (CSIN)**

This effort code is for accounts set up to track mandatory and voluntary committed cost sharing dollars for projects that are instruction in function (i.e., the related project account is coded DINS).

(c) **Cost Sharing on Other Sponsored Activities (CSOS)**

This effort code is for accounts set up to track mandatory and voluntary committed cost sharing dollars for projects that are not research or instruction in function but rather an other sponsored activity (i.e., the related project account is coded DOSA).

3.2 F&A Cost Pool Effort Codes

(1) **Operation and Maintenance Expenses (IOPM)**

O&M expenses (section F.4) are those expenses that have been incurred for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for such items as:

- janitorial and utility services,
- repairs and ordinary or normal alterations of building, furniture and equipment,
- care of grounds,
- maintenance and operation of buildings and other plant facilities,
- security,
- earthquake and disaster preparedness,
- environmental safety,
- hazardous waste disposal,
- property, liability and all other insurance relating to property,
- space and capital leasing,
- facility planning and management, and

- central receiving.

(2) **General Administration and General Expenses (IGAD)**

General Administration and General Expenses (section F.5) are those expenses incurred by the general executive and administrative offices of A&M System Members and other expenses of a general character which do not relate solely to any major function of the institution, such as instruction, organized research, departmental research, other sponsored activities, or other institutional activities.

Examples of General Administration and General Expense include expenses incurred by or for:

- SAGO assessments,
- central offices of the A&M System Member such as the President's or Chancellor's office, which benefit all activities of the Member,
- the offices of Member-wide financial management, business services, budget and planning, personnel management, safety and risk management, and General Counsel, and
- the operation of a central administrative management information systems.

General administration and general expenses *do not include* expenses incurred within:

- non-university-wide deans offices,
- academic departments, or
- organized research units.

(3) **Departmental Administration (IDAD)**

Departmental Administration (section F.6) includes expenses incurred for administrative and supporting services that benefit common or joint departmental activities in academic departments and divisions, and organized research institutes, study centers, and research centers. It does not include any deans' operating accounts (IDEN).

(4) **Dean's Operation (IDEN)**

Dean's Operation (section F.6.a.1) is for accounts used to pay *academic* dean's operating expenses. Salaries and operating expenses are limited to those attributable to an academic dean's administrative functions. It does not include the dean of students (ISTA).

(5) **Sponsored Projects Administration (ISPA)**

Sponsored Projects Administration (section F.7) includes expenses incurred by a separate organization or department *established primarily to administer sponsored projects*. This includes such functions as:

- grant and contract administration (federal and non-federal), and
- editing and publishing of research and other reports.

This effort includes salaries and expenses of the head of such organization, assistants, and immediate staff.

(6) **Library (ILIB)**

Library (section F.8) includes expenses incurred for the operation of the library, including the cost of books and library materials purchased for the library. Costs incurred in the purchases of rare books (museum-type books) with no value to the sponsored agreements are not part of the Library function.

(7) **Student Administration and Services (ISTA)**

Student Administration and Services (section F.9) include expenses incurred for the administration of student affairs and for service provided to students. This includes expense of such activities as:

- dean of students,
- admissions,
- registrar,
- counseling and placement services,
- student advisers,
- student health and infirmary services,
- catalogs, and
- commencements and convocations.

3.3 Miscellaneous Effort Codes

(1) **Scholarships and Fellowships (USCH)**

The costs associated with scholarships and fellowships need to be separately identified for the facilities and administrative cost calculation.

(2) **Service Departments (USVC)**

The costs associated with service departments need to be separately identified for the facilities and administrative cost calculation. All accounts that are appropriately identified as service department for financial reporting purposes (AFR fund groups 21 through 29) should have an effort code of USVC.