

**THE
UNIVERSITY OF MICHIGAN
COST ACCOUNTING STANDARDS**

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PURPOSE

This document provides you with an understanding of OMB Circular A-21 (II CFR Section 220) regulations for Cost Accounting Standards and the policies for compliance at the University of Michigan.

GLOSSARY

These are UM specific definitions and may vary from definitions used in A-21 (II CFR Section 220).

A-21 Unallowable Costs – see *'Restricted Expenses on Federal Projects.'*

Facilities and Administrative Costs – A-21 (II CFR Section 220) term for “Indirect Cost.” The costs of resources provided by the University for sponsored awards. Examples of indirect costs are; utilities, asset depreciation, libraries, central administration, sponsored project administration, and departmental administration

Facilities and Administrative (F&A) Proposal – proposal prepared according to OMB Circular A-21 (II CFR Section 220) regulations and submitted to the federal government to determine the University's facilities and administrative rates.

Facilities and Administrative (F&A) Rates – The percentages negotiated between the federal government and the University that are charged to sponsored awards to recover facility and administrative costs.

Federal Government Office of Management and Budget Circular A-21 (II CFR Section 220), *Cost Principles for Educational Institutions* – Federal regulations for charging expenses to sponsored awards and preparing the facilities and administrative proposal.

Indirect Cost Recovery Excluded (ICRX) Expenditures – A cost that cannot be charged to sponsored awards (directly or indirectly), and **must be specifically identified in the Facilities and Administrative Proposal**. However, an ICRX expenditure may be a legitimate University cost. Examples: alcohol, public relations, alumni activities, and entertainment.

Restricted Expenses on Federal Projects – Certain expenses required by A-21 (II CFR Section 220) to be reviewed for a “direct benefit” to a federal project, specifically: clerical and administrative salaries, supplies (consumable and office supplies), postage, telephone line charges, local calls, memberships and dues, journals and other subscriptions, books, and hosting and food expenses. These expenditures are sometimes referred to as “A-21 Unallowable Costs.”

Sponsored Allowable Cost – A cost specifically identified in the budget of a sponsor award, or permitted based on sponsor regulations.

INTRODUCTION

Understanding the importance of complying with this policy at the University of Michigan

External sponsors are critical to the vitality of the University's missions of instruction, research, and public service. Sponsors such as the federal government, state government, foundations, and corporations provide direct costs for the University's missions. Sponsors also reimburse the University for a portion of facilities and administrative costs (indirect costs).

Indirect costs are real costs to the University. Examples of indirect costs are:

- Utilities
- Depreciation
- Building maintenance
- Departmental administration
- General office supplies
- Central administration
- Libraries

The federal Office of Management and Budget (OMB) issued Circular A-21, *Cost Principles for Educational Institutions* (II CFR Section 220), to regulate cost accounting practices at educational institutions, and the University must comply with these regulations.

All costs of the University of Michigan are subject to the standards established in OMB Circular A-21 (II CFR Section 220).

A-21 (II CFR Section 220) includes the rules for computing the University's Facilities and Administrative rates that are calculated by the Cost Reimbursement Office staff.

FEDERAL REGULATION

OMB Circular A-21 (II CFR Section 220)

The federal OMB issued Circular A-21 (II CFR Section 220), *Cost Principles for Educational Institutions*. This document sets cost accounting policy for educational institutions that receive \$25 million or more of federally sponsored awards.

The federal government pays both direct and indirect costs to the University of Michigan. The government wants to make sure they pay their fair share and that everyone is playing by the same rules. Thus, A-21 was created. A-21 covers:

1. Costing regulations for both direct and indirect costs.
2. Principles for determining costs applicable to grants, contracts, and other agreements.
3. Regulations on accumulating costs for the F&A Proposal.

OMB Circular A-21 was most recently updated on August 8, 2000. A-21 is available at this website: http://www.access.gpo.gov/nara/cfr/waisidx_10/2cfr220_10.html.

Direct vs. Indirect Costs

For the University of Michigan to be in compliance with A-21 (II CFR Section 220), it is important that you learn to distinguish between direct and indirect costs.

The Class Chartfield of the University of Michigan's financial structure defines direct and indirect activities. The following document is attached to assist you in assigning the proper Class to your transactions:

1. Appendix C – *Class Definitions* – detailed definitions of each Class category

FEDERAL REGULATION, continued

Direct Costs

OMB Circular A-21 (II CFR Section 220) defines Direct Costs as:

Costs that can be identified specifically with

- a particular sponsored project,
- a particular university funded research project,
- an instructional activity (including departmental research),
- any other institutional activity,
- or that can be directly assigned to such activities relatively easily with a high degree of accuracy, UNLESS fails the test of "Like Circumstances".

These activities are direct costs to the University of Michigan:

1. Instruction/Departmental Research
2. Sponsored Projects and related Cost Sharing
3. Specialized Service Facilities
4. Other Institutional Activities

Examples of Direct Costs:

- Alterations, repairs, and maintenance costs of equipment used exclusively for the activity or program
- Assistantships, including stipends and tuition remission
- Computer costs and services directly identifiable with the activity or program
- Consultants
- Direct materials and supplies (e.g., lab supplies, chemicals, biological supplies, electronics)
- Equipment used exclusively for the activity or program
- Patient care costs
- Recharges from service units
- Salaries/wages & related benefits of faculty and staff who are an integral part of the activity or project
- Subcontracts
- Trainee/participant costs, such as stipends, tuition & fees, travel
- Travel costs (e.g., airfare, meals, lodging, conference fees)

FEDERAL REGULATION, continued

Indirect Costs

OMB Circular A-21 (II CFR Section 220) defines Indirect Costs as:

Costs incurred for common or joint objectives, AND cannot be identified readily and specifically with

- a particular sponsored project,
- a particular university funded research project,
- an instructional activity (including departmental research),
- any other institutional activity,

These activities are indirect costs to the University of Michigan:

1. Departmental Administration
2. Plant Operations and Maintenance
3. Space Related Costs (Utilities, Depreciation)
4. Network Costs

Definition:

Hardware, software, personnel services and other related costs to enable University personnel to share software or data, or communicate with other individuals electronically.

Examples of Network Costs:

- Servers and their operating software
- Routers, wiring, and all other components to allow users to "hook into" and use the network
- General software available to all users of the network, such as E-Mail, word processing, and spreadsheet applications
- All personnel and other maintenance costs for the server, general software on the server, and other components of the backbone (to the wall or access point for users)

Excludes:

Individual workstations and specialized hardware and software attached to the network, which is not available to all users.

Hint about Recharge Activities:

Allowable if the purpose and circumstance differs significantly from normal network access (e.g. network costs for telephone interview facility would be included as part of that unit's total operating costs). Large, centralized networks may charge access fees to recover all or part of their operating costs. When units pay for these costs, the costs must be included in their accounting records as network costs.

FEDERAL REGULATION, continued

Examples of Indirect Costs:

- Salaries/wages and related benefits of support personnel, clerical staff and administrators
- General office supplies: pencils, pens, paper clips, etc.
- Basic telephone instrument rental costs
- Photo duplication for general departmental files
- Network charges for e-mail and other general purpose software
- Repairs and maintenance of general purpose equipment

Four Tests for Allowability of both Direct and Indirect Costs

OMB Circular A-21 (II CFR Section 220) also requires that all costs incurred by the University for direct or indirect purposes must pass four basic tests.

Costs must be:

1. **Reasonable**: A reasonable person would purchase the item at the given price.
2. **Allocable**:
 - Incurred solely to advance the work under a sponsored agreement, OR
 - Benefits both the sponsored agreement and other work of the institution, OR
 - Necessary to the overall operation of the institution.
3. **Treated Consistently**: Expenses for similar purposes must be accounted for in the same way, in like circumstances, throughout the University.
4. **Allowable**: Any cost detailed in the approved budget on a sponsor award; any cost not specifically identified as indirect cost recovery excluded (ICRX) (examples discussed later) by A-21 (II CFR Section 220); OR any cost not specifically identified in the sponsor award as being unallowable.

Enforcement of Federal Regulations

The federal government enforces A-21 (II CFR Section 220) at the University of Michigan in three ways:

1. The University must submit a disclosure statement to the federal government that details the University's policies and practices for complying with A-21 (II CFR Section 220).
2. Every federally sponsored award is subject to audit by its funding agency.
3. The Facilities and Administrative Cost Proposal and supporting documentation is audited by the Department of Health and Human Services, Division of Cost Allocation.

Non-compliance with Federal Regulations

The University is subject to the following penalties for failure to comply with A-21 (II CFR Section 220):

1. Loss of facilities and administrative (indirect) cost reimbursement from sponsoring agencies. The University of Michigan recovers over \$100 million annually in facilities and administrative costs.
2. Reduction of facilities and administrative rates.
3. Fines, interest, and penalties.

RULES and COMPLIANCE

OMB Circular A-21 (II CFR Section 220) has four basic rules for compliance. These rules and the policies and procedures instituted by the University of Michigan to comply are detailed in this section.

RULE #1

Consistency in the selection and use of a cost accounting period

How Does The University of Michigan comply?

The University's annual financial reports are used to prepare the F&A Proposal. The University's fiscal year is July 1 – June 30.

The project periods of grants and contracts are based on negotiations with sponsors and are not bound by this standard.

RULE #2

Identification and exclusion of specifically identifiable unallowable costs.

How Does The University of Michigan comply?

To comply with this rule, the University of Michigan established the Policy on Indirect Cost Recovery Excluded (ICRX) Expenditures. The policy is practiced consistently across the institution.

ICRX expenditures are allowable to the University of Michigan as costs of doing business, BUT excluded from instruction, research, and other sponsored activity direct and indirect cost pools to calculate the facilities and administrative rates.

You can find the University of Michigan's policy on ICRX expenditures in Appendix A. The policy is also available on the Financial Operations website:

<http://www.finance.umich.edu/finops/reporting/contact/OCR>

Examples of ICRX Expenditures:

Advertising	Meals & Travel
Alcoholic Beverages	Memberships
Commencement	Meetings & Conferences
Entertainment	Public Relations
Fund Raising	Recruiting
Hosting	Selling & Marketing
Lobbying	Student Activity Costs

RULES and COMPLIANCE, continued

RULE #3

Consistency in allocating costs incurred in like circumstances for the same purpose

Each type of cost must be allocated once and only on one basis to a sponsored award or to other cost objective. This is to prevent double counting. Costs that are typically considered as indirect costs must not also be treated as direct costs.

In addition, A-21 specifies that certain costs must generally be indirect costs (see Appendix B, Sponsored Awards and A-21). By default, all costs on sponsored awards are direct costs. All similar costs in like circumstances must also be treated as indirect costs by having an indirect Class assigned to the transactions.

Consistency also means that the entire University of Michigan must employ the same practices. For example, if LSA hires support staff as an indirect cost, so must Engineering.

Direct Costs: Costs that can be identified with one activity or assigned to one activity relatively easily with a high degree of accuracy.

Indirect Costs: Costs that benefit multiple activities or cannot be reasonably and accurately assigned to direct activities.

How Does The University of Michigan comply?

One tool is Education. The Cost Reimbursement Office is responsible for teaching the University community about cost accounting standards and practices.

A second tool is the Class Chartfield. The University uses the Class chartfield to identify direct and indirect costs. It is important for you to understand the Class codes, related definitions, and to use Classes correctly. Class Roll-up to Direct/Indirect Costs, will help you to choose the right Class code for transactions.

RULES and COMPLIANCE, continued

RULE #4

Consistency in estimating, accumulating and reporting costs

Practices to estimate costs in proposals to potential sponsors must be consistent with practices to accumulate and report costs incurred during the performance of a sponsored award.

Costs are estimated in the proposal budgeting process.

Costs are accumulated as costs are incurred during the sponsored award period.

Costs are reported in the final report submitted to a sponsor that details the costs incurred on a sponsored award.

The purpose of this rule is to prevent an apple from being an apple in one place (a direct cost) and an orange in another place (an indirect cost). If this were to happen, the federal government might end up paying the University more than once, or double counting.

How Does The University of Michigan comply?

The proposal budget lists the specific expenditure types. For example: Faculty Salaries and Benefits, Equipment, and lab supplies.

As costs are incurred on a sponsored award, Account and Class chartfields are assigned to each transaction. The Account indicates the type of cost. The Class reflects the sponsor award's activity as defined in the proposal.

The Final Report of total costs on a sponsored award is prepared utilizing the Account chartfield assigned to the transactions.

A sponsor or an agent of the sponsor should find that proposal costs and actual costs are essentially the same in type and amount.

The monthly Project Budget Report is the tool to monitor sponsored awards for consistency. Since the Project Budget Report is a summary of budget and actual expenditures, it is equally important to reconcile the monthly Statement of Activity.

RESPONSIBILITY

Responsibility for the University of Michigan to comply with the OMB Circular A-21 rests in two areas, at the unit level, and centrally.

Unit Responsibility

If you have the authority to use University funds, you must understand A-21 regulations and its application. The University's *Standard Practice Guide* addresses fiscal responsibility:

The standards for fiscal responsibility are outlined in section 500.01 of the University's *Standard Practice Guide*. However, merely complying with these written policies and procedures is not enough. The Principal Investigator (PI) (or Department Manager*) is the individual with the ultimate responsibility for the administrative and programmatic aspects of the project. These responsibilities include ensuring funds are spent in accordance with University and sponsor guidelines. As such, the PI must exercise reasonable care and judgment in the performance of fiscal duties. In addition to University guidelines and procedures the PI must also adhere to the specific sponsor guidelines of projects supported by the Federal government, other government entities, industry, foundations, and the like.

* The Department Manager is responsible when there is no Project Director for a chartfield combination

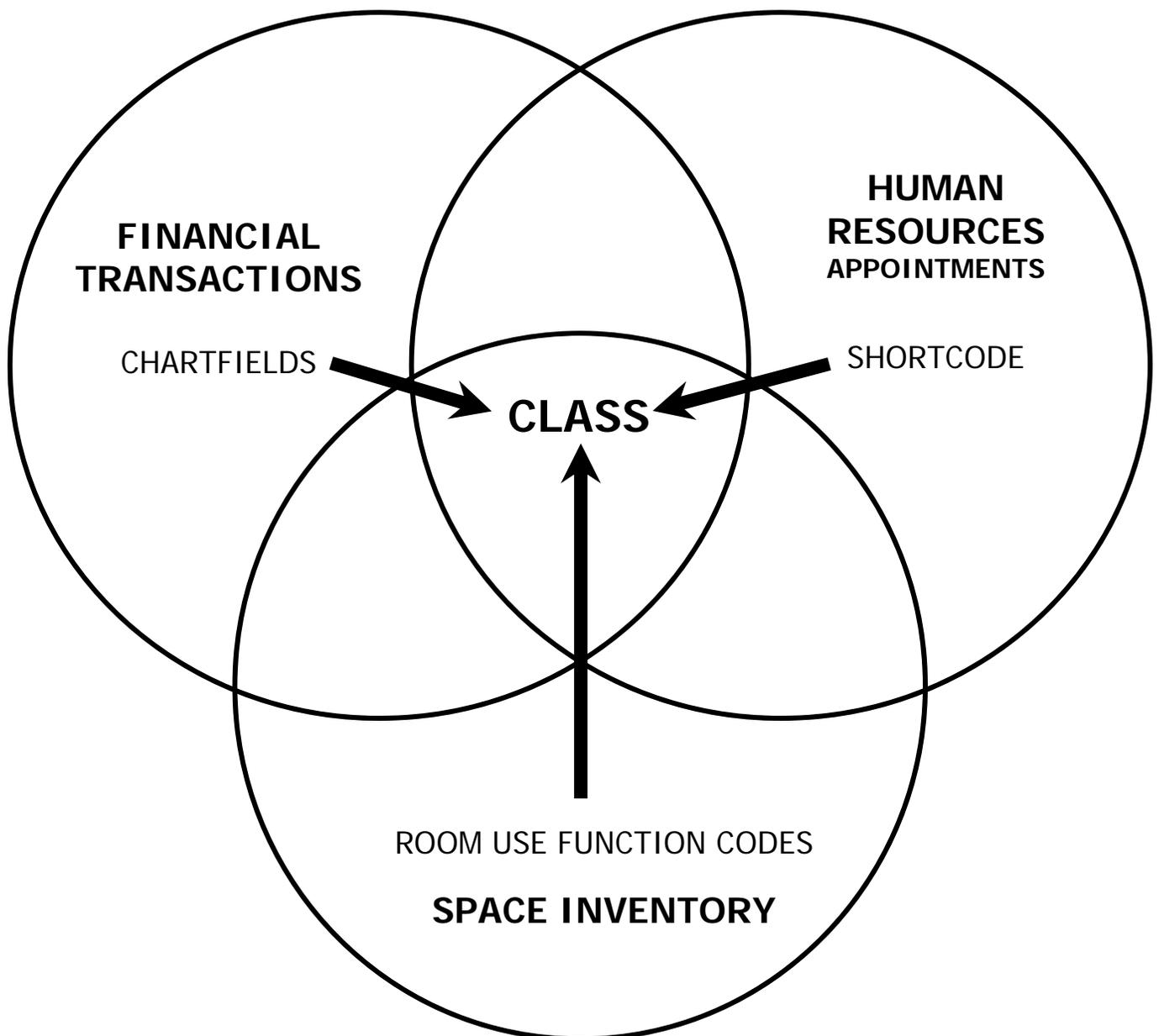
Financial Operations, Cost Reimbursement Office Responsibility

1. Prepare the facilities and administrative cost proposal and analysis. We must follow the regulations in OMB Circular A-21 (II CFR Section 220).
2. Provide training and advice to the University community on:
 - ICRX expenditures
 - Cost accounting standards
 - Proper usage of Class
 - Effort reporting
 - Space Survey attributes– Room Use Function Codes
– Organized Research Activity Panel
3. Review transactions for compliance and consistency of University policies and A-21.

CONSISTENCY AT THE UNIVERSITY

Another consistency regulation of OMB Circular A-21 (II CFR Section 220) is that the University of Michigan must make sure that the data in our financial database is consistent with the space survey data and human resource data, including effort reporting.

The following three sections will help you understand the inter relationship between Financial Transactions, Effort Certification, and the Departmental Space Inventory.



FINANCIAL TRANSACTIONS

For the University of Michigan to comply with OMB Circular A-21 (II CFR Section 220), it is important for you to understand the relationship between a purchased and the financial transaction on the Statement of Activity.

There are four methods to incur costs:

1. Journal Entry – transfer of cost from one set of chartfields to another
2. Payroll – salaries and benefits
3. Procurement – non-salary goods and services, includes P-Card
4. Service Unit Billing – goods and services from internal sources

The University of Michigan Accounting System (PeopleSoft General Ledger) is a transaction-based system. Each transaction carries a variety of identifiers, called a "*Chartfield Combination*."

A chartfield combination describe a transaction. The following four examples of chartfield combinations tell a "story" describing each transaction.

Business Unit	Budget Year	Fund	DeptID	Program	Class	Project Grant	Account
UMICH	2005	10000	213000	ADMIN	11100		510200
UMICH	2005	20000	213000		22000	F000624	500700
UMICH	2005	10000	213000	CSTSH	22000	F000624	614000
UMICH	2005	52000	213000	RCHRG	92320	U003337	550000

The Class chartfield defines the activity supported by an expenditure (see Appendix C – Class Definitions). You must choose the appropriate Class for every transaction. It is your responsibility to assign the right Class for each transaction.

Here are some facts about the Class chartfield that you must know:

- Class is used to assign expenses to cost pools for the facilities and administrative cost proposal to negotiate the F&A rates (indirect cost rates).
- Class is used for Financial Reporting purposes.
- Sponsored awards in funds 20000 and 25000 ALWAYS use the same Class on all transactions, including cost sharing.

By using the right Class on each transaction you are complying with the rule of consistency in estimating, accumulating, and reporting costs for the same purpose in like circumstances.

FINANCIAL TRANSACTIONS, continued

How to Determine the Correct Class

It is sometimes difficult to decide the appropriate Class to assign to a transaction. These documents will help you make the proper determination:

1. Appendix C – Class Definitions
2. Cheat Sheet – CAS Decision Tree
3. Appendix A – ICRX Expenditures
4. Cheat Sheet – Class Rollup by Direct/Indirect Costs

If you are ever in doubt as to the appropriate Class on a given transaction, please contact the Cost Reimbursement Office (734-647-3843) and we will walk you through the thought process.

What Happens if an Incorrect Class is Assigned to a Transaction?

It is important for you to understand that it is a really BIG deal if you use the wrong Class. First, the University could be in non-compliance of OMB Circular A-21. Secondly, we might over- or under-state the University's indirect cost rates in the indirect cost proposal.

The following three pages illustrate what happens if you use the wrong Class for a transaction:

FINANCIAL TRANSACTIONS, continued

Illustration #1

\$200,000 of ICRX expenditures are incorrectly recorded as Instruction

RATES AS CALCULATED w/ ERROR			RATES AFTER CORRECTION			
	<u>INSTRUCTION</u>	<u>RATE</u>	<u>CORRECTIONS</u>	<u>INSTRUCTION</u>	<u>RATE</u>	
INDIRECT COSTS =	250,060,000	= > 62.52%		INDIRECT COSTS =	250,060,000 = > 62.55%	
DIRECT COSTS =	400,000,000		(200,000)	DIRECT COSTS =	399,800,000	
	<u>ORG RES</u>	<u>RATE</u>			<u>ORG RES</u>	<u>RATE</u>
INDIRECT COSTS =	130,140,000	= > 52.06%		INDIRECT COSTS =	130,140,000 = > 52.06%	
DIRECT COSTS =	250,000,000			DIRECT COSTS =	250,000,000	
			<u>(200,000)</u>			

ERROR:

\$200,000 of Development expenses were classified as Instruction. However, Development costs are ALWAYS ICRX expenses and MUST be identified with a Class that ends in "X".

CORRECTION:

Reduce the Instruction Direct Cost Pool by \$200,000. Instruction is always a direct cost. All ICRX costs are assigned to a separate cost pool for purposes of the indirect cost proposal.

NET EFFECTS:

- (1) The Direct Costs of Instruction decreases
- (2) The rate for Instruction increases

FINANCIAL TRANSACTIONS, continued

Illustration #2

\$200,000 of Departmental Administration expenditures are incorrectly recorded as Instruction

RATES AS CALCULATED w/ ERROR			RATES AFTER CORRECTION			
	<u>INSTRUCTION</u>	<u>RATE</u>	<u>CORRECTIONS</u>		<u>INSTRUCTION</u>	<u>RATE</u>
INDIRECT COSTS =	250,060,000	= > 62.52%	123,000	INDIRECT COSTS =	250,183,000	= > 62.58%
DIRECT COSTS =	400,000,000		(200,000)	DIRECT COSTS =	399,800,000	
	<u>ORG RES</u>	<u>RATE</u>			<u>ORG RES</u>	<u>RATE</u>
INDIRECT COSTS =	130,140,000	= > 52.06%	77,000	INDIRECT COSTS =	130,217,000	= > 52.09%
DIRECT COSTS =	250,000,000			DIRECT COSTS =	250,000,000	
			<u>0</u>			

ERROR:

\$200,000 of Departmental Administration expenses were classified as Instruction.

CORRECTION:

- (1) Reduce the Instruction Direct Cost Pool by \$200,000
- (2) Allocate \$200,000 Departmental Administration expenses to Instruction (\$123,000) and Organized Research (\$77,000) Indirect Costs.

NET EFFECT:

- (1) The Direct Costs of Instruction decreases
- (2) The Indirect Costs for both Instruction and Organized Research Increase
- (3) The rates for both Instruction and Organized Research Increase

FINANCIAL TRANSACTIONS, continued

Illustration #3

\$200,000 of Development (ICRX) expenditures are incorrectly recorded as Departmental Administration expenditures

RATES AS CALCULATED				RATES AFTER CORRECTION			
	<u>INSTRUCTION</u>	<u>RATE</u>	<u>CORRECTIONS</u>		<u>INSTRUCTION</u>	<u>RATE</u>	
INDIRECT COSTS =	250,060,000	= > 62.52%	(123,000)	INDIRECT COSTS =	249,937,000	= > 62.48%	
DIRECT COSTS =	400,000,000			DIRECT COSTS =	400,000,000		
	<u>ORG RES</u>	<u>RATE</u>			<u>ORG RES</u>	<u>RATE</u>	
INDIRECT COSTS =	130,140,000	= > 52.06%	(77,000)	INDIRECT COSTS =	130,063,000	= > 52.03%	
DIRECT COSTS =	250,000,000			DIRECT COSTS =	250,000,000		
			<u>(200,000)</u>				

ERROR:

\$200,000 of Development expenses were classified as Departmental Administration. However, Development costs are ALWAYS ICRX expenses and MUST be identified with a Class that ends in "X".

CORRECTION:

- (1) Reduce the Instruction Indirect Costs by \$123,000 – Departmental Administration expenses are always an indirect cost.
- (2) Reduce Organized Research Indirect Costs by \$77,000

NET EFFECT:

- (1) The Indirect Costs for both Instruction and Organized Research decrease
- (2) Direct costs do not change
- (3) The rates for both Instruction and Organized Research decrease.

EFFORT CERTIFICATION

What, Who and When Guidelines

What is "Effort Certification"?

A signed statement on the Turn Around Document (TAD) that the individual did in fact spend their effort as stated for the previous fiscal year. A-21 requires effort certification annually, at a minimum.

Who is required to certify effort?

1. Paid from a sponsored award
2. Paid from a cost sharing Project/Grant related to a sponsored award
3. Effort on more than one activity, examples:
 - Instruction and Research
 - Research and Departmental Administration
 - Departmental Administration and Plant Operations & Maintenance

When is Effort Certification done?

It depends on the individual and how he or she is paid.

Effort certification occurs at four different times:

1. Monthly employees – in July or August of each year
2. Bi-Weekly employees – on each bi-weekly timesheet
3. Timekeeping employees – on each monthly timekeeping record
4. Students – at the end of each term

The following guidelines must be followed for all personnel appointment forms:

- Appointment should reasonably reflect the activities performed. Each set of chartfield that a person is appointed to represents one activity. The faculty/staff member must be aware of the distribution of their salary to different activities.
- An individual is appointed to chartfields based on their budgeted or anticipated workload for the upcoming year. When significant change (+ or – 5%) in their activity occurs, the appointment must be changed to reflect the revised workload. The 5% threshold is defined in the Department of Health and Human Services guidelines for effort reporting. If an individual's activity changes, the department administrator must be notified to make the appropriate change in the appointment.
- Bi-weekly staff certify to their effort with each pay period. If the effort during the bi-weekly period is different than their appointment, correction documents must be submitted to distribute the wages to the appropriate activities (chartfields).

EFFORT CERTIFICATION, continued

Special Rules for Personnel Appointments

Administrative & Clerical Salaries

A-21 Rule: "The salaries of administrative and clerical staff should normally be treated as F&A (Dept. Admin.) 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."

University of Michigan Application: Departmental Administration – salaries and fringe benefits of secretarial, clerical, administrative officers, administrative assistants, administrative work of faculty (including bid and proposal preparation) – use Class 11100.

Salary Cost Sharing – use cost sharing chartfields.

Plant Operations & Maintenance – facility, space, networking – use Class 71000.

Indirect Cost Recovery Excluded (ICRX) salaries & wages – for effort associated with any of the Indirect Cost Recovery Excluded (ICRX) expenses/activities, use the appropriate Class ending in an "X".

SPACE

The University conducts an annual space survey to identify space owned or leased by the University. The survey includes various data elements for each room surveyed.

One of the data is the Room Use Function code (RUF code). This code represents the activity(ies) performed in the room during the fiscal year. Room Use Function codes have a critical relationship to the Class chartfield. Refer to Class Rollup to Direct/Indirect Costs for the Class rollup to Room Use Function codes.

The Cost Reimbursement Office reviews the Organized Research Activity panels in the space survey. Cost Reimbursement reviews the Class for each Project/Grant to see if the Class is valid Organized Research. Consistency must exist between Space (RUF Codes), Project/Grant (Class), and Effort (Class).

Cost Reimbursement uses the space survey data in the Facilities and Administrative proposal to allocate space related costs, such as depreciation, utilities, and plant operations and maintenance.

Office of Space Analysis website: <http://www.finance.umich.edu/analysis/space>

SUMMARIZING THE CONSISTENCY RELATIONSHIP

In the Space Survey, the **ROOM USE FUNCTION** defines the activity performed in the room.

All financial expenditures include a **CLASS** chartfield that defines an activity supported by the expenditure.

Salary appointments in the Human Resource database define how personnel time is allocated to an activity. The salary and fringe benefit costs are distributed to the financial statements using a **SHORTCODE**. The **CLASS** is one element of the Shortcode.

Therefore, person, expense, and room data must all be in agreement. In the cost accounting world this is referred to as "SPACE = BASE".

