

## **OSU Accounting Guidelines for Agricultural Experiment Station (AES) State Funds and Federal Formula Funds**

Updated April 2009

These guidelines provide summary information regarding the proper accounting for AES funds. For more detailed information, please consult the proper reference or contact the College of Agricultural Sciences' Business Office. To facilitate the use of these guidelines, AES accounting personnel should print a list of all indexes used by their unit that shows the fund and program code for each index.

AES state fund transactions are recorded in Fund 030010. AES federal formula fund transactions are recorded in Funds 030015 (regular Hatch) and 030102 (multi-state Hatch).

Initially, based on the activity associated with the expense, the expense is charged to the state fund (030010), federal formula funds (030015 and 030102) or another fund not covered in these guidelines. State funds are discussed in the first section. Federal formula funds are covered in the second section.

### **STATE FUNDS (030010)**

Background: Every three to five years, OSU enters into a Facilities and Administrative (F&A) Cost Rate Agreement with the United States Department of Health and Human Services. This agreement sets the rates that OSU may charge on federal grants and contracts to recover its facility and administrative costs. Our accounting systems are designed to ensure that expenses are continually identified as F&A costs or direct costs. Program codes are used to properly categorize expenses. Accounting personnel must ensure expenses are charged to the appropriate program code. Your indexes are set up to allow you to charge to indexes that have Program Code 11200 (AES Administrative Support), 11201 (AES General

Services), or the applicable research Program Code 11XXX.<sup>1</sup> (AES Ag Exp Station Research). The use of these program codes is discussed below.

### **Program Code 11200 – AES Administrative Support**

Expenses using this Program Code 11200 are recorded as “Departmental Administration” expenses in the F&A Rate Proposal. These are F&A costs. It is important that no direct research-related project expenses or maintenance/general operation expenses are charged to this program code.

If an expense is directly related to a research project and the project has not yet received a CRIS project number<sup>2</sup>, please use 11990 - AES Ag Exp Station Research (see the discussion below and also in the Federal Formula Funds section). If a project number is assigned, move the costs to the newly assigned index for that project.

Per OMB Circular A-21, appropriate **expenses** for departmental administration are:

- Salaries and OPE attributable to *administrative* work of faculty including department heads to the extent that they support AES projects.
- Salaries and OPE for Professional business and administrative staff to the extent that they support AES projects.
- Salaries of accounting, clerical staff, and students to the extent that they support AES projects.
- Travel costs associated with AES administrative work and proposal preparation.
- Office supplies, minor equipment and capitalized equipment that support administrative work.

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<sup>1</sup> Specific research projects have Program Codes 11001 – 11199, 11202 – 11989, and 11991 - 11999. Program code 11990 is used to record research expenses prior to the assignment of a CRIS project number.

<sup>2</sup> CRIS (Current Research Information System) is the U.S. Department of Agriculture's (USDA) documentation and reporting system for ongoing and recently completed research and education projects in agriculture, food and nutrition, and forestry. Projects are conducted or sponsored by USDA research agencies, state agricultural experiment stations, the state land-grant university system, other cooperating state institutions, and participants in a number of USDA-administered grant programs, including Small Business Innovation Research (SBIR) and National Research Initiative (NRI), and the programs administered by the Science and Education Resources Development (SERD) unit of the Cooperative State Research, Education, and Extension Service (CSREES).

- Postage, local telephone line , unit charges (including recurring cellular telephone charges and cash allowance), and network charges for the department/unit as they relate to AES projects.

The following **costs should not** be placed on indexes with Program Code 11200- AES Administrative Support:

- GRA or GTA salaries, OPE, fee remissions, insurance payments. These employees are normally not hired for administrative duties.
- Laboratory supplies. These are not administrative.
- Animal purchases, animal care costs, veterinary supplies
- Fertilizers, seeds, feeds, chemicals
- Irrigation supplies, agricultural services
- Electricity, pressurized gases, natural gas, fuel oil, water, sewage, garbage, recycling expense. These should be placed on an index with Program Code 11201- AES General Services.
- Equipment maintenance and repair except as it relates to administrative equipment.
- Building maintenance/repairs and maintenance materials. These should be placed on an index with Program Code 11201- AES General Services.
- Grounds maintenance and repairs. These should be placed on an index with Program Code 11201- AES General Services.
- Custodial contracts and supplies. These should be placed on an index with Program Code 11201- AES General Services.
- Security services. These should be placed on an index with Program Code 11201 – AES General Services.

**External Income:** The only - 0xxxx account codes- which should appear in indexes with Program Code 11200 are those that relate to an administrative function. This might be surplus sales.

Income from rental of Experiment Station facilities by those outside the university should be placed in an index with Program Code 11201.

Income derived from an AES project should be placed in the project index. An example of this would be animal sales or the sale of research byproducts.

**Internal Income:** Duplicating and copying reimbursement - 79107 account code - is appropriate on indexes with Program Code 11200 because this is

where the expenses for this service should reside. All other 79xxx account code internal reimbursements should be placed on the index where the costs were incurred.

*The key for both external and internal income is that the income should be placed in the same index as where the expenses were incurred to generate that income.*

### **Program Code 11201 – AES General Services**

Expenses using this Program Code 11201, excluding cost share<sup>3</sup>, are recorded as “Operations & Maintenance” expenses in the F&A Rate Proposal. These are F&A costs. It is important that no directly related research project or administrative expenses are charged to this program code.

If an expense is directly related to a research project and the project has not yet received a CRIS project number, please use 11990 - AES Ag Exp Station Research (see the discussion below and also in the Federal Formula Funds section). If a project number is assigned then move the costs to the newly assigned index for the project.

Per OMB Circular A-21, appropriate **expenses** for operations and maintenance to record on Program Code 11201 are:

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<sup>3</sup> “Cost sharing” is the designation used for the portion of verifiable sponsored project costs contributed by the university/department from its own resources (non-federal funds) or by other outside entities. Many awards, including Environmental Protection agency (EPA), National Oceanic and Atmospheric Administration (NOAA), and some United States Department of Agriculture (USDA), and others require cost sharing.

Cost sharing funds are established for recording these costs. All non-federal expenses must be recorded in cost share funds to be certified for that purpose.

When an agreement is received that has cost sharing indicated (either in the agreement itself, or in the proposal which becomes a part of the agreement), OPAA will set up the appropriate cost sharing fund(s), and notify the PI and college/department accountant.

All cost sharing expenses for the project will be recorded in the unrestricted cost share fund. The college/department accountant will complete Labor Distribution forms as needed to reflect appropriate salary. Equipment purchases, travel, or other cost share expenses will be charged directly to the cost share fund. As each expenditure is posted to the cost share fund, a corresponding transfer transaction will be posted moving funds required to cover this expenditure from the designated unrestricted fund’s budget.

- Salaries and OPE for those persons who supervise, or perform, maintenance for the preservation and protection of the university physical plant/property; includes farm managers.
- Electricity, pressurized gases, natural gas, fuel oil, water, sewage, garbage, recycling expense.
- Equipment maintenance and repair except as it relates to administrative equipment or a particular project.
- Building maintenance/repairs and maintenance materials.
- Grounds maintenance and repairs.
- Custodial contracts and supplies.
- Garbage, recycling, waste disposal.
- Security services.

The following **costs should not** be placed on indexes with Program Code 11201- AES General Services:

- Faculty salaries who are teaching or conducting research (Account Code 10102).
- GRA or GTA salaries, OPE, fee remissions, insurance payments. These employees are normally hired for a specific project or function.
- Lab supplies, testing group incentives. These would be for a particular activity or project.
- Animal care or feed costs. These are normally project specific and they should be placed on a research index with Program Code 11XXX (11900 if a project specific code is not yet assigned).
- Computers. These are normally either administrative or project-related.
- Communications Network Access. These are administrative and should be placed on an index with the 11200 Program Code.

**External Income:** The only - 0xxxxx account codes- which should appear in indexes with Program Code 11201 are those that relate to facilities, such as income from rental of Experiment Station facilities by those outside the university.

**Internal Income:** Since the facilities, land, and equipment are owned by the university, it would be rare that there would be internal income – 79xxxx account codes. This should be reviewed.

There are exceptions that allow for the recovery of current operational costs associated with agricultural services provided to internal and external users. Examples would be research field lab fees and farm equipment usage fees. These fees must not include expenses which are normally recovered in the F&A rate. The fees must be listed in the fee book and must comply with all policies and restrictions regarding internal and external fees. It is important that these fees be consistently applied to all users and that they are reviewed before being charged.

Please review the guidelines at:

<http://oregonstate.edu/dept/budgets/FISManual/FIS1403-01.htm>

*The key for both external and internal income is that the income should be placed in the same index as where the expenses were incurred to generate that income.*

### **Program Code 11XXX – AES Ag Exp Station Research**

A research project will normally have a project specific program code. If it is not yet assigned, expenses are charged to Program Code 11990 and recorded as “Ag Exp Station Research” (departmental research) expenses in the F&A Rate Proposal. For these direct costs, it is important that no administrative or general operations and maintenance expenses be included.

If or when the project receives a CRIS project number, please move the costs to the newly assigned index(es) for that project.

The following **costs could** be placed on indexes with a project specific program code or 11990 - AES Ag Exp Station Research:

- Faculty/PI, Research Assistant, and GRA salaries and wages, OPE, GRA fee remissions, and insurance payments.<sup>4</sup>
- Lab supplies, testing group incentives, equipment used only for the research.
- Travel expenses related directly to the research.
- Computers and related software if used only for research activities. If it is used for any type of administrative or general operational

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<sup>4</sup> However, tuition benefits for family members other than the employee should not be charged to Program Code 11990 or a specific project.

activities, it should not be charged to Program Code 11990 or a specific research project.

The following **costs should not** be placed on indexes with a project specific program code or Program Code 11990 - AES Ag Exp Station Research:

- Salaries and OPE attributable to *administrative* work of faculty including department heads to the extent that they support AES projects.
- Salaries and OPE for Professional business and administrative staff to the extent that they support AES projects.
- Salaries and OPE for those persons who supervise, or perform, maintenance for the preservation and protection of the universities physical plant/property.
- Salaries for Farm Managers.
- Salaries of accounting, clerical staff, and students to the extent that they support AES projects.
- Travel costs associated with AES administrative work and proposal preparation.
- Office supplies, minor equipment and capitalized equipment that support administrative work.
- Postage, local telephone line, unit charges (including recurring cellular telephone charges and cash allowance), and network charges for the department/unit as they relate to AES projects.
- Communications Network Access. These are administrative and should be placed on an index that carries the 11200 Program Code.
- Electricity, pressurized gases, natural gas, fuel oil, water, sewage, garbage, recycling expense.
- Equipment maintenance and repair that relates to administrative equipment.
- Building maintenance/repairs and maintenance materials.
- Grounds maintenance and repairs.
- Custodial contracts and supplies.
- Garbage, recycling, waste disposal.
- Security services.

**External Income:** The only - 0xxxxx account codes- which should appear in indexes with a project specific program code or Program Code 11990 are those that relate to research, such as income from the sales of research

byproducts. Income derived from an AES assigned project should be placed in that project index.

**Internal Income:** Since the facilities, land, and equipment are owned by the university, it would be rare that there would be internal income – 79xxxx account codes. This should be reviewed. Charging to university users is allowable to recover only current operational costs.

Fees cannot be recovered on research project indexes. If fees are necessary to recover costs related to research services and testing, they should be charged to the 11990 general research index, 11201 program code index, or 05xxx designated operations fund index, as appropriate (along with the related expenses). These fees must be approved in advance and they must be in the fee book.

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## **FEDERAL FORMULA FUNDS (030015 and 030102)**

Background: In addition to the F&A considerations discussed for state funds, federal formula funds must be recorded consistent with requirements set for federally sponsored research. Only direct costs, not F&A costs, may be charged to these indexes that draw on federal funds.

OMB Circular A-21 defines direct costs and F&A costs as follows:

Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or F&A costs. Where an institution treats 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.

F&A costs are those 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.

The discussion for state funds characterizes three types of expenses: AES Administrative Support, AES General Services and AES Ag Exp Station Research. For federal formula funds, only the direct research expenses that qualify under the AES Ag Exp Station Research category may be charged to these indexes that draw on federal funds. As discussed above, these expenses include:

- Faculty/PI, Research Assistant, and GRA, salaries and wages, OPE, and insurance payments.
- Lab supplies, testing group incentives, equipment used only for the research.
- Travel expenses related directly to the research.
- Computers and related software if used only for research activities. If it is used for any type of administrative or general operational activities, it should not be treated as a direct research expenditure.

In addition to the prohibition on the charging of indirect costs to federal formula funds, graduate fee remission costs also may not be charged against these funds.

Income should not be recorded in Hatch indexes (Funds 030015 and 030102). Rebates and returns should be handled as a reduction in expense, not as income.

Even within these categories, there is a great deal of specificity regarding what is or is not allowable. Please consult OMB Circular A-21 at [http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html) for detailed information.

If you have further questions, please contact Gail Patterson 541-737-5908 or Jack Breen 541-737-5909 for assistance.

Prepared by Business Affairs and the College of Agricultural Sciences