

# **An Explanation of Effort Classifications for Subsidiary Ledger Accounts and Support Accounts within TAMUS As Interpreted from Title 2 of the Code of Federal Regulations Part 200 (2 CFR 200), also known as Uniform Guidance**

The purpose of this paper is to provide a definition and explanation of (1) Direct Costs, (2) Indirect Costs or 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 Indirect (F&A) cost proposal. This is a guide to the Uniform Guidance cost pools. References to sections in parentheses are found in 2 CFR Part 200. Please consult Uniform Guidance at the following web address for further information: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>. In some cases, cost pools are broken down into more than one effort code.

## **1. Direct Costs (Section 200.413)**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded 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 direct or indirect costs.

***Application to Federal awards.*** The association of costs with a Federal award determines whether costs are direct or indirect. Costs charged directly to a Federal award are typically incurred specifically for that Federal award (including, for example, supplies needed to achieve the award's objectives and the proportion of employee compensation and fringe benefits expended in relation to that specific award). Costs that otherwise would be treated as indirect costs may also be considered direct costs if they are directly related to a specific award (including, for example, extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities, cybersecurity, integrated data systems, asset management systems, performance management costs, program evaluation costs, or other institutional service operations).

***Administrative and clerical staff salaries.*** Administrative and clerical staff salaries should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if they meet all of the following conditions:

- (1) The administrative or clerical services are integral to a Federal award;
- (2) Individuals involved can be specifically identified with a Federal award; and
- (3) The costs are not also recovered as indirect costs

***Minor items.*** A direct cost of a minor amount may be treated as an indirect cost, for reasons of practicality, provided that it is treated consistently for all Federal and non-Federal purposes.

## 2. Indirect (F&A) Costs (200.414 and Appendix III)

Indirect (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.

**Facilities and administration classification.** For major Institutions of Higher Education (IHE) and major nonprofit organizations, indirect costs must be classified within two broad categories: “Facilities” and “Administration.” “Facilities” is defined as depreciation on buildings, equipment and capital improvements, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. “Administration” is defined as general administration and general expenses such as the director's office, accounting, personnel, and all other types of expenditures not listed specifically under one of the subcategories of “Facilities” (including cross allocations from other pools, where applicable).

## 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/Major Functions or Activities

#### (1) Instruction (DINS)

The teaching and training activities of an institution. Except for research training as provided in 3.1(3)(a) below, this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Also considered part of this major function are departmental research, and, where agreed to, university research.

#### (2) Departmental Research (DDPR)

Departmental research means research, development and scholarly activities that are not organized research and, consequently, are not separately budgeted and accounted for. Departmental research is considered a part of the instruction function of the institution.

#### (3) Organized Research (DRES)

Organized research means all research and development activities of an institution that are separately budgeted and accounted for. It includes:

- (a) **Sponsored research** 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** means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University research must be combined with sponsored research under the function of organized research.

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

Other sponsored activities means programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs. However, when any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.

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

Other institutional activities means all activities of an institution except for instruction, departmental research, organized research, and other sponsored activities, as defined in this section; indirect (F&A) cost activities identified in 2 CFR 200, Appendix III, paragraph B, Identification and assignment of indirect (F&A) costs; and specialized services facilities, such as Cyclotron, described in § 200.468 of this part. 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 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 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 6) includes expenses incurred for administrative and supporting services that benefit common or joint departmental activities or objectives 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 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 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 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 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.