

Prepared by the Vice President for Research  
This is a new procedure.

A10.100  
July 2007

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A10.000 Applied Research Laboratory  
Administrative Policies and Procedures

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P 1 of 4

A10.100 Task Order Price Estimates

1. Purpose. To establish policies and procedures for preparing task order price estimates.
2. Applicability. These policies shall apply to all projects conducted by the Applied Research Laboratory at the University of Hawaii (ARL at UH).
3. Definitions.
  - a. "Executive Director" shall refer to the ARL at UH Executive Director.
  - b. "Business Office" shall refer to the ARL at UH Business Office.
  - c. "Department Head" shall refer to the chair of the respective functional areas: Ocean Science & Technology (OST), Astronomy (AST), Advanced Electro-Optics and Sensing (AEOS), or Sensors, Communications and Information Technology (SENCIT).
  - d. "Principal Investigator" shall refer to the ARL at UH faculty member or researcher that is primarily responsible for the task order.
  - e. "Task order" shall refer to a discrete project, either proposed by the principal investigator or requested by the sponsor, to conduct basic research to increase scientific knowledge in the functional area or to develop designs, methods, processes, devices, etc. using the information gained through basic research.
  - f. "Direct costs" shall refer to costs that are incurred to advance the work under a sponsored project (e.g., task order) and that can be specifically identified to the project or can be assigned to it using methods that can readily estimate the proportional benefit to the project.
  - g. "Prorated direct costs" shall refer to costs incurred by the ARL at UH to support its research effort such as research

administrative support, fiscal support, security, motor pool, library, printing and copying services, and laboratory and office facilities, which cannot be specifically identified or readily assigned to projects (e.g., task orders).

- h. "Institutional F&A" shall refer to costs incurred by central offices such as the President's Office, Board of Regents, General Accounting, General Counsel, Research Corporation of the University, Office of Research Services, Manoa Chancellors Office, and Manoa Vice Chancellor for Research Office and costs of certain UH Manoa facilities that support or benefit ARL at UH research, but which cannot be specifically identified or readily assigned to projects (e.g., task orders).
  - i. "Fee" shall refer to the unique assessment to task orders issued under the University Affiliated Research Center (UARC) contract. Use of fee shall be constrained by the applicable contract clause.
  - j. "Facilitating services funds" shall refer to the ARL at UH share of the recovery of institutional F&A referred to in the University as "Research and Training Revolving Funds" or RTRF.
4. Policy. All task order price estimates shall be prepared in accordance with ARL at UH policies and procedures by the principal investigator and reviewed and approved by the Department Head and Business Office prior to submission to the sponsor. Because the ARL at UH is required to be self-sufficient, principal investigators shall fully price task order estimates to maximize recovery of Direct Costs, Prorated Direct Costs, F&A costs, and Fee.
5. Procedures.
- a. Preparation of a Task Order Price Estimate.
    - i. The principal investigator shall prepare a task order price estimate for each task order in accordance with the budgetary guidelines specified in Attachment 1.
    - ii. Principal investigators shall not include unallowable costs in price estimates. OMB Circular A-21, Section J unallowable costs are summarized in Attachment 2. Investigators should also adhere to any additional limitations or prohibitions on cost items contained in sponsor policy statements, requests for quotations, requests for applications, requests for proposals, invitation for bids, or other program guidelines.

iii. Investigators shall also adhere to ARL at UH policy A10.130 Prorated Direct Costs with respect to the following items of cost:

1. New Research Proposals. Costs of preparing bids or proposals for potential government or non-government sponsored projects; costs of time, travel and other expenses to discuss and obtain new work; and costs of marketing the capabilities of the ARL at UH shall not be charged to task orders. These costs shall be charged to ARL at UH facilitating services funds (i.e., return of research F&A cost recovery) or the ARL at UH fee budget.
2. Continuation (non-competing) Proposals. Costs of preparing continuation (non-competing) proposals incurred by investigators and researchers shall be charged directly to task orders. Costs of preparing continuation proposals incurred by ARL at UH department directors, administrators and secretarial/clerical staff shall be charged to the appropriate department in Prorated Direct Costs (PDC).
3. Equipment purchases. Equipment fabrication costs shall be charged to task orders involving fabrication of equipment. Special purpose equipment that will be integrated in the final deliverable or are unique and necessary to carry out the task order shall be charged to task orders. General purpose equipment shall be charged to task orders provided there is prior sponsor approval.
4. Compliance. Costs (effort, travel and other expenses) of ARL at UH employees who assist investigators in complying with applicable federal and state laws and regulations and UH and RCUH policies should not be charged to task orders. These costs should be charged to the appropriate department in PDC.

b. Submission of a Task Order Price Estimate.

- i. The principal investigator shall forward the price estimate with a completed internal routing form (e.g., ORS Form 5), proposal cover sheet, and statement of work to the department head or designee for review and approval.

- ii. Once the department head or designee has reviewed the documents, the internal routing form, proposal cover sheet, statement of work and price estimate shall be forwarded to the Business Office for final review and Executive Director or designee approval.
- iii. Once all approvals are obtained, the principal investigator shall forward the proposal cover sheet and price estimate to the sponsor.

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### Budget Guidelines

Unless otherwise specified by the sponsoring agency, task order price estimates should be prepared in the following format (Attachment 1A) and accompanied with a proposal cover sheet (Attachment 1B):

1. Salaries - This section covers all salary requirements and should identify the types of personnel, an estimate of the number of months and percentage of full-time effort each will devote to the task, salary rates, and the total amount of salaries to be paid by the sponsor. Personnel that may be directly charged to tasks include the principal investigator, researchers, graduate students, undergraduate students, and technicians. Charges for administrative personnel responsible for assisting the principal investigator in complying with applicable federal and state laws and regulations and UH and RCUH policies should not be budgeted in task orders because such personnel should be charged to the appropriate department in Prorated Direct Costs.
  - a. For existing personnel, the current base salary should be used. Anticipated collective bargaining increases or inflation should be factored into task orders that cover multiple years.
  - b. For non-existing personnel, the rate of pay on a similar type of position shall be used. Criteria such as minimum qualifications, years of experience, special certifications or licenses, etc., may be used in selecting a similar position.

The department administrator or the business office may assist the principal investigator in determining the appropriate rate of pay and corresponding fringe benefit rates.

2. Fringe Benefits - Employee fringe benefits are treated as direct project costs and must be provided for as an expense in task orders whenever salaries are

identified. If existing employees are planned for the project, their actual fringe benefit rates should be used. For individuals yet to be hired: 1) Suggested fringe benefit rate estimates for University employees are contained in memoranda issued by the Office of Research Services and can be found at [http://www.hawaii.edu/ors/filecabinet\\_rates\\_fringe.htm](http://www.hawaii.edu/ors/filecabinet_rates_fringe.htm) 1. 2) The suggested fringe benefit rate estimate for RCUH employees is 28%.

3. Direct Project Costs.

- a. Consultant Fees and Subcontracts - Consultant services or subcontracts should be properly justified and include a detailed budget. To the extent possible, the budget should include all component costs, including the rate for services, materials and supplies, travel and incidental expenses, F&A costs, applicable taxes, etc. Since intra-University consulting is assumed to be undertaken as part of the normal faculty workload, overload should not normally be budgeted for; this principle shall apply to all faculty members who function as consultants or otherwise contribute to a task order conducted by another faculty member or RCUH researcher at the ARL at UH.
- b. Materials and supplies. Material and supplies should be identified by major categories with the estimated costs for each category. General office supplies should be fully justified, specifically budgeted for and directly benefit the task. The principal investigator should be prepared to demonstrate how the estimates were arrived at to the Business Office. Current price quotes or invoices for similar items on prior projects may be used for this purpose.
- c. Travel - The number and estimated cost of trips as well as the destinations (if known) and the number of individuals for each trip should be indicated. The estimated cost should be itemized by air fare or other mode of transportation, the number of days of per diem and daily rate, registration and conference fees, ground

transportation, and other related travel expenses. Most sponsors required a statement regarding the purpose of the travel and its relevance to the project, particularly in connection with foreign travel. Foreign travel is generally defined as any travel outside Canada and the United State and its territories and possessions.

- d. Publication Costs and Communication Costs - These costs should be specifically identifiable and provide direct benefit to the project. For publications, the number of pages and cost per page should be identified. Estimates for telephone toll and FAX charges can be supported using cost data from similar past projects.
- e. Equipment - Each equipment item costing more than \$5,000 with a life expectancy of more than one year should be listed. Catalog or estimated prices, including anticipated price increases, shipping, insurance, custom fees (for foreign purchases), delivery and installation charges (if any), and applicable taxes should be included as part of the cost of equipment acquisition. Catalog prices, vendor price quotations or cost data for similar equipment on past projects can be used as supporting documentation for cost estimates. Whenever it is difficult to predict the types and quantities of equipment, the circumstances that justify the equipment needs must be provided.
- f. Fabricated Equipment - The nature of equipment to be fabricated should be properly identified with a detailed breakdown of component purchases, material and supply items, recharge center services, consultant fees, and subcontract costs. If the cost estimate is based on historical experience, the principal investigator should be prepared to provide supporting documentation should the sponsor ask for a pricing review.
- g. Other Costs - This category includes all costs such as computer time, recharge center services, etc. that can be specifically identified and

directly benefit the proposed project. The costs should be separately identified and supported in as much detail as possible. Miscellaneous and contingency costs are not normally recognized by the sponsor and therefore should not be included.

- h. Prorated Direct Costs. Because the ARL at UH is a self-supporting entity, it provides its own research administrative support, fiscal support, security, motor pool, library, printing and copying services, and laboratory and office facilities. Thus, the Navy and the Federal Government recognized the need for the ARL at UH to allocate these direct support costs, which the ARL at UH has named Prorated Direct Costs (PDC), to task orders. In order to ensure that the ARL at UH recovers its costs and remains solvent, principal investigators should budget for full reimbursement of PDC. PDC is assessed on modified total direct costs (MTDC) prior to the allocation of PDC and consists of all salaries and wages, fringe benefits, materials and supplies, services, travel, and the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). MTDC excludes equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, charges for service centers, scholarships and fellowships, and the portion of each subgrant or subcontract in excess of \$25,000.
- i. Institutional F&A Costs - Because the ARL at UH is part of the University, certain central offices such as from the President's Office, Board of Regents, General Accounting, General Counsel, Research Corporation of the University, Office of Research Services, Manoa Chancellors Office, and Manoa Vice Chancellor for Research Office support the ARL at UH. In addition, certain UH Manoa facilities have been made available to the ARL at UH to conduct its research. Thus, the Federal Government and the Navy recognized the need for the ARL at UH to assess UH institutional F&A costs. Like PDC, principal investigators should budget for full



reimbursement of institutional F&A costs by applying the negotiated ARL at UH institutional F&A rate. Institutional F&A is calculated on MTDC, including MTDC-type costs within PDC.

- j. ARL at UH Fee -The Navy permits the ARL at UH to assess a fee on task orders issued under the University Affiliated Research Center (UARC) contract. The fee is assessed only on task orders awarded under the UARC contract and not to grants. The fee is calculated on total costs inclusive of PDC and institutional F&A.

**Requested  
Funding**

**Salaries & Wages**

Professional

Principal investigator, 9-month (% FTE x Base salary x no. of months)  
Summer (1/9 \* Base salary x no. of months)  
Researcher (% FTE x Base salary x no. of months)

Graduate/Undergraduate

Graduate assistant (50% FTE x Base salary x no. of months)  
Undergraduate student (Hourly rate x no. of hours)

Support

Technician (Hourly rate x no. of hours)

Subtotal - Salaries & Wages

**Fringe Benefits**

Professional

Principal investigator  
Summer  
Researcher

Graduate/Undergraduate

Graduate assistant  
Undergraduate student

Support

Technician

Subtotal - Fringe Benefits

**Total Salaries & Fringe Benefits**

**Consultant Fees**

**Subcontracts**

**Materials & Supplies**

**Travel**

Domestic  
International

**Total Travel**

**Publication Costs**

**Communication Costs**

**Equipment**

**Other Direct Costs**

Subtotal

**Prorated Direct Costs (PDC)**

Total Direct Costs

**Institutional F&A**

Total Direct Costs & Institutional F&A Costs

**Total Fixed Fee**

**TOTAL EST COST PLUS FEE**

Approvals:

\_\_\_\_\_  
Department Head                      Date

\_\_\_\_\_  
Business Office    Date

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PROPOSAL COVER SHEET

(Cost or Pricing Data Required)

**1. Solicitation/Contract/Modification No.:**

2. University of Hawaii  
Applied Research Laboratory at the University of Hawaii  
2800 Woodlawn Drive, Suite 201  
Honolulu, HI 96822

**3. Point of Contact:**

Name  
Contracts Manager  
(808) 956-xxxx

**4. Contract Administration Office**

ONR Seattle Regional Office  
1107 NE 45<sup>th</sup> Street, Suite 350  
Seattle, WA 98105-4631

**Audit Office**

DCAA Hawaii Sub-office  
300 Ala Moana Boulevard, 9-130  
Honolulu, HI 96850-4908

**5. Type of Contract Action:** New Contract

6. Proposed Cost + Profit or Fee = Total

**7. Government Property**

We will not require the use of any Government property in the performance of this work.

**8. Cost Accounting Standards (CAS) and Estimating & Accounting Compliance**

- a. Our organization is subject to the Cost Accounting Standards Board (CASB) Regulation (Public Law 91-379) as amended and FAR Part 30.
  - b. This contract action is subject to CAS.
  - c. We have submitted a CASB Disclosure Statement (CASB DS-2) to HHS Division of Cost Allocation, Washington DC. We received a determination of adequacy on 5/13/04.
  - d. We have NOT been notified that we are or may be in noncompliance with our Disclosure Statement or CAS.
  - e. NO aspect of this proposal is inconsistent with our disclosed practices or applicable CAS.
  - f. YES, this proposal is consistent with our established estimating and accounting practices and procedures and FAR Part 31, Cost Principles.
9. This proposal reflects our estimates and/or actual costs as of this date and conforms with the instructions in FAR 15.403-5(b)(1) and FAR 15.408, Table 15-2. By submitting this proposal, we grant the Contracting Officer and the authorized representative(s) the right to examine, at any time before

award, those records, which include books, documents, accounting procedures and practices, and other data, regardless of type and form or whether such supporting information is specifically referenced or included in the proposal as the basis for pricing, that will permit an adequate evaluation of the proposed price.

10. Month Day, Year

11. Name, Title

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OMB Circular A-21 Unallowable Costs

Advertising (J.1.)

The only allowable advertising costs are:

- Recruitment of personnel.
- Procurement of goods and services.
- Disposal of scrap or surplus materials.
- Those specifically required by a sponsored agreement.

Alcoholic beverages (J.3.)

Alcoholic beverages are unallowable, including beer, wine, and mixed alcoholic drinks.

Alumni activities (J.4.)

Costs incurred for, or in support of, alumni/alumnae activities and similar services are unallowable.

Bad debt expense (J.6.)

Any losses, whether actual or estimated, arising from uncollectible accounts, and any related collection and legal costs are unallowable.

Commencement and convocation costs (J.7.)

Costs incurred for commencement and convocations are unallowable.

Contingency provisions (J.11.)

Any contingency reserve or similar provision made for events, the occurrence of which cannot be foretold with certainty is unallowable.

Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements (J.13.)

Generally, these costs are unallowable. The only exception is when the Federal government specifically authorizes the condition causing the action.

Donations or contributions (J.15.)

All donations and contributions made by the University, regardless of the recipient are unallowable.

Entertainment (J.17.)

Costs of activities where the primary purpose is amusement, diversion (such as tickets to shows or sports events), and social activities, and any associated costs, such as transportation, meals, etc. are unallowable.

Fines and penalties (J.19)

Costs resulting from violations of, or failure of the institution to comply with Federal, State, and local or foreign laws and regulations are unallowable. The only exception is when the Federal government authorizes, in advance, such payments.

Fund raising (J.20.)

Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable. This includes salary, printing, room charge, travel, meal, and supply costs of fund raising.

Goods or services for personal use (J.22.), including housing and personal living expenses (J.23)

All costs for goods or services for personal use by the University's employees, including housing expenses (e.g. depreciation, rent, maintenance, utilities, furnishings, etc.), housing allowances, and personal living expenses for University officers, are unallowable.

Insurance against defects (J.25.f.)

Costs for insurance against defects, including the costs of insurance or any other costs incurred to correct defects in the University's materials or workmanship, are unallowable. Other insurance costs are allowable.

Interest (J.26.)

The only allowable interest costs are those paid to an external party if associated with the following assets:

- Buildings acquired or completed on or after July 1, 1982.
- Major reconstruction and remodeling of existing buildings completed on or after July 1, 1982.

Investment management (J.20.)

The only allowable investment management expenses are those incurred for the physical custody and control of monies and securities. Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.

Lobbying (J.28.)

In general, lobbying costs are unallowable, including the following:

- Improperly influence (influence on any basis other than the merits of the matter) an employee or officer of the Executive branch of the Federal government to give consideration or to act regarding a sponsored agreement or regulatory matter.
- Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity.
- Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections.
- Any attempt to influence the:
  - o Introduction of Federal or State legislation.
  - o Enactment or modification of any pending Federal or State legislation by preparing, distributing, or using publicity or propaganda, or by urging members of the general public, or any segment thereof, to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign.

- Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying. Legislative liaison activities include:
  - o Attendance at legislative sessions or committee hearings.
  - o Gathering information regarding legislation.
  - o Analyzing the effect of legislation.

A few lobbying costs are allowable if specifically related to the performance of a sponsored agreement.

- Technical and factual presentations on topics directly related to the performance of a grant, contract, or other agreement.
- Activities to influence State legislation in order to directly reduce the cost, or to avoid material impairment of the institution's authority to perform the grant, contract, or other agreement.

Losses on other sponsored agreements or contracts (J.29.)

Any excess of costs over income under any other sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to, the University's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for F&A costs.

Memberships, subscriptions and professional activity costs (J.33.)

- Membership in any civic or community organization, or in any country, social or dining club is unallowable. The only allowable membership costs are for a membership in business, technical or professional organizations.
- The only allowable subscription costs are for subscriptions to business, professional, and technical periodicals.
- Costs of meetings and conferences are only allowable when the primary purpose is the dissemination of technical information. This includes the costs of meals, transportation, rental of facilities, etc.

Preagreement costs (J.36.)

Unless approved by the sponsoring agency, costs incurred prior to the effective date of the sponsored agreement, whether or not they would have been allowable there under if incurred after such a date, are unallowable.

Public relations (J.1.)

The only allowable public relations costs are those for the cost of:

- Public relations specifically required by a sponsored agreement.
- Conducting general liaison with news media to keep the public informed on matters of public concern, such as notices of financial matters, contract/grant awards, etc.
- Communicating with public and press pertaining to specific activities or accomplishments resulting from the performance of sponsored agreements.

Selling and marketing (J.46.)

Costs of selling and marketing any services or products of the institution are unallowable, unless included in allowable advertising costs above (J.1.). Expenditures for the publication and distribution of student admissions information are included in this category (not allowable). However, recharge centers can create and distribute materials to inform internal or University users about the services and/or products they provide.

Student activity costs (J.48.)

Unless specifically allowed for in the sponsored agreement, costs incurred for intramural activities, student publications, student clubs, and other student activities are unallowable.

Travel costs (J.53.)

Airfare costs in excess of the lowest available commercial discount airfare, Federal Government contract airfare (where authorized and available), or customary standard (coach or equivalent) airfare, are unallowable except when such accommodations would: require circuitous routing; require travel during unreasonable hours; excessively prolong travel; greatly increase the duration of the flight; result in increased costs that would offset transportation savings; or offer accommodations not reasonably adequate for the medical needs of the traveler.