

Directive for Preparing the WVDHHR Detailed Line Item Budget

I. Introduction

The West Virginia Department of Health and Human Resources (DHHR) awards an assortment of Federal pass-through, State, and combined funds to numerous external organizations (Grantees) through its various Spending Units using the DHHR-Finance 180/180s grant agreement templates. As part of the grant agreement process, the DHHR requires that a detailed line item budget be prepared, approved and attached to all grants and related agreements negotiated with the DHHR.

The budget should consist of programmatic goals and objectives translated into financial terms and shall be used by the DHHR to perform an initial cost evaluation of the objectives identified in the statement of work and to subsequently monitor the Grantee's financial activities over the term of the grant agreement. The budget is the responsibility of the Grantee and shall be prepared in accordance with the procedures prescribed in this document.

II. Purpose

The budget is the financial expression of the program and is accounted for in Exhibit E of the DHHR-Finance 180/180s grant agreement template. The purpose of this Directive is to provide a framework for the development of a grant related budget and to establish and clarify the budget submission requirements for the DHHR Spending Units. The DHHR previously issued guidance related to budgets in DHHR Policy 3801, *Award and Monitoring of Subrecipient Grants*. This Directive shall expand upon the requirements provided in that document.

III. Scope

The Spending Unit must consider all applicable criteria when reviewing, negotiating or approving a budget. Where Federal, State or Departmental policies, procedures or regulations are specifically mandated, those requirements shall supersede this document and be observed in order of precedence.

IV. Responsibility

Grantees are responsible for obligating and expending grant funds in accordance with an approved line item budget. Since changes can occur in the grant program and related expenses during the grant period, the Grantee is also responsible for ensuring that the budget consistently represents what is actually occurring within the program and requesting approval of revisions as necessary.

The Spending Unit must use their professional judgment and discretion when ensuring that each budget meets, at a minimum, the preparation and submission requirements as established by applicable legislative authorizations, Federal requirements, program regulations and this Directive. The Spending Unit is subsequently responsible for ensuring that the Grantee is aware of all authorizing legislation and related program regulations when developing a budget for a DHHR grant award. Once the Grantee prepares and submits the budget, the Spending Unit

assumes responsibility for review and final approval of the budget. These responsibilities may be assigned to as many parties within the Spending Unit as necessary to achieve the desired results.

V. Cost Principles

As developed by the U.S. Office of Management and Budget (and codified in Federal regulations), for each type of Grantee organization there is a set of Federal cost principles for determining allowable costs. A chart reflecting the applicable cost principles for each type of organization as well as additional guidance on selected items of cost from the circulars can be found in **Appendix 1** to this directive.

VI. Structure of the Budget

All DHHR grant agreements must contain an approved “line item” budget that breaks down the total budgeted award amount for the applicable grant period, including direct costs and, if applicable, indirect costs as well as any required matching or cost sharing. The budget must be prepared in accordance with this Directive and submitted on the prescribed forms (budget worksheets). The following budget sections and categories are to be included on all DHHR grant award budgets and financial reports:

1. Direct Costs

Federal cost principles define direct costs as those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of the organization. When preparing the budget, the DHHR requires all direct costs to be allocated into one of seven (7) direct cost categories. The following summaries provide a broad definition of the costs to be included in each category:

- A. **Personnel:** Personnel costs are defined as salaries and wages paid to an employee of the Grantee and directly charged in whole or in part to the DHHR grant. Salaries may not be based solely on the availability of grant funding and must coincide with compensation for similar services at the Grantee’s organization and/or the local job market if similar services are not otherwise provided at the organization.

A Grantee may not charge more than 100% of effort to the program. Where salaries apply to two or more separate programs or functions, a pro-ration of costs to each activity must be made based on time and attendance reports.

- B. **Fringe Benefits:** Fringe benefits are defined as expenses directly associated with employment and applicable to salaries and wages. Allowable fringe benefits include contributions to pension plans, health insurance, FICA, unemployment insurance, and worker’s compensation. Fringe benefits are to be based on actual known costs or an established formula reflecting the current rates for the Grantee organization.

- C. **Equipment:** Equipment is defined as an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the Grantee’s capitalization level or \$5,000.

Requests for equipment should only be considered if the purchase or acquisition is a necessary element of an eligible program. An item that does not meet the capitalization level or that is “expensed” by the organization should be budgeted in either the “Supplies” or “Other” categories as appropriate.

- D. Supplies:** Supplies include any materials costing below the lesser of the Grantee’s capitalization level or \$5,000 per unit and that are expended or consumed during the course of the program.
- E. Contractual Costs:** Contractual costs include expenditures incurred for obtaining the services of contractors, subgrantees and/or consultants. Contractual costs are incurred when the Grantee contracts with outside parties to acquire goods and services related to the performance of DHHR grant funded programs or to transfer a thing of value in order to carry out a public purpose. (The Spending Unit is responsible for providing prior approval and specific instructions regarding the subgranting of DHHR awards.)
- F. Construction:** Construction consists of costs to support the initial building, large scale modernization or permanent improvement of a facility. Construction costs are generally not allowable.
- G. Other:** The “other” category includes items that are directly charged, yet not included in one of the above cost categories, including travel. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by Grantee employees who are in travel status on official business of the organization. Such costs may be budgeted on an actual cost basis, on a per diem or mileage basis, provided the method used is applied consistently within the Grantee organization.

2. Indirect Costs

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. For payment of indirect costs by the DHHR, the Grantee must comply with one of the following three criteria:

- If the Grantee is a direct recipient of Federal Grants, they may have an “Indirect Cost Negotiation Agreement” from their cognizant Federal agency;
- The Grantee may have an approved “Indirect Cost Negotiation Agreement” from another state or local government agency that has agreed to review and approve the Grantee’s indirect cost proposal; or
- The Grantee may have a written statement from an independent certified public accounting firm attesting that the indirect cost proposal complies with applicable Federal OMB Cost Principles and provides the basis of the calculated rate.

3. Other Program Funds

Cost Sharing or Matching

If the Grantee receives an award subject to cost sharing or matching requirements they shall account for those funds in accordance with applicable administrative requirements. The requirements for cost sharing and matching are unique to each program and are found in the laws, regulations and provisions specific to those relevant programs and agreements. The total of cost sharing or matching funds should be detailed in the designated section of the budget summary. The Spending Unit is responsible for providing the Grantee with comprehensive instructions regarding the accounting for and administration of cost sharing or matching funds for an individual award. In situations where cost sharing or matching funds are not required, the Grantee shall be permitted discretion in reporting other Grantee supplied funds.

Program Income

Federal administrative requirements define program income as gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the grant award. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federally-funded programs, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. Unless contrary to specific programmatic legislation, program income does not include: interest on grant funds, rebates, credits, discounts, refunds, etc. and interest earned on same.

When a Grantee acknowledges that program income may/will result from DHHR grant funded activities, the Spending Unit assumes responsibility for providing specific instructions regarding the accounting for and administration of the program income.

4. Budget Summary

The budget summary serves as the compilation of all information presented in the Detailed Line Item Budget. The information in the summary should contain the total amounts for all applicable direct cost categories as well as the total indirect costs. In addition to those totals, Grantees shall report any cost sharing or matching funds and anticipated program income.

5. Budget Narrative

Along with the budget worksheets and summary, all grant agreements must contain a detailed narrative explaining and justifying the expenditures by individual budget category. The budget narrative should include the dollar amounts and how the dollar amounts were derived. Each budgeted line item on the budget worksheet form should be clearly identified and have a corresponding budget narrative.

VII. Budget Approval

The Spending Unit is ultimately responsible for the completeness and acceptability of all grant award documents. Therefore, in addition to the review and negotiation of the official budget, the Spending Unit is responsible for the approval of all budgets associated with the grant agreement.

To document the approval of a grant budget the DHHR Spending Unit shall provide a signature and the approval date in the corresponding section of the budget summary. Prior to the execution of any DHHR grant award, the Spending Unit shall forward the approved budget to DHHR Finance as a supplement to the grant award package. Upon receipt of the grant award package, DHHR Finance shall review the approved budget and address any issues that may arise with the Spending Unit.

VIII. Budget Revisions

The Spending Unit shall ensure that all budget revisions are prepared in accordance with the requirements of this Directive. Information that must be included within or attached to an amended budget includes an explanation for any funding increases or decreases and summary of why the budget revisions are necessary. (Increases or decreases in the amount of program income and other Grantee supplied funds do not require budget revisions)

Upon approval by the Spending Unit, all revisions must be processed as a change order in accordance with DHHR WVFIMS Procedure 23 and applicable Federal administrative requirements. The Spending Unit shall evaluate the programmatic impact of all financial changes to determine if they require a corresponding revision of the Statement of Work.

IX. Supplementary Budget Information

This Directive establishes the basic budget standards applicable to all DHHR grant awards. In many cases, the standards and requirements presented in this directive provide for the minimum level of budgetary documentation and not the optimum or maximum amount that may be needed to adequately administer the grant award. The Spending Unit may, at its discretion, supplement the requirements contained within this directive with additional requirements provided that such requirements are not contrary to or expressly excluded by higher-ranking authoritative requirements.

X. Financial Reporting

As part of its monitoring procedures, the Spending Units shall require all Grantees to prepare and submit program financial reports as an ongoing condition of receiving DHHR funds. Spending Units shall utilize Exhibit G of the DHHR Finance 180/180s grant agreement templates to document the financial reporting requirements; establish the frequency and due dates for submission (must be at least annually), and stipulate whether the Grantee must employ specific formatting or designated forms.

XI. Financial Evaluation

The receipt of financial reports from the Grantee provides DHHR with a valuable tool to monitor and evaluate the overall performance of the program and to determine whether the Grantee has effectively budgeted for each line item and obtained all appropriate prior approvals. At a minimum of yearly, the DHHR Spending Unit shall compare and evaluate each Grantee's financial reports to the detailed line item budget to ensure that the Grantee is obligating and expending grant funds in accordance with an approved budget and that the Grantee has made budget revisions as necessary.

XII. Prior Approvals and Budget Revisions

The Spending Unit shall ensure that all budgetary requests for prior approval and revisions are administered in accordance with this Directive and applicable Federal prior approval requirements. Guidance on situations that require prior approval can be found in **Appendix 2** of these instructions.

Within 30 calendar days from the date of receipt of the request for budget revisions, the DHHR shall notify the Grantee whether it's requested budget revisions have been approved. If the requested revision is still under consideration at the end of 30 calendar days, the DHHR will notify the Grantee in writing of the date when the recipient may expect a decision.

All revisions to the amount of the **Total Grant Award** will be issued through a DHHR Finance-190, Agreement Change Order Authorization, and will require a revised budget be submitted to the DHHR for approval. Unless directed otherwise, requests for budget revisions should be in the same budget format as provided in this directive and should contain a corresponding budget narrative.

XIII. Limitations on DHHR Grant Funding

The allowability of costs for work performed under a DHHR grant award shall be determined in accordance with the applicable Federal cost principles, as well as, the terms and conditions of the grant award. Unless specifically addressed and approved in the grant budget, DHHR Federal pass-through or State grant funds may not be used for any of the following:

- **Construction Limitation** – Generally, DHHR grant funds may not be used for the purpose of construction. Construction consists of costs to support the initial building, large scale modernization or permanent improvement of a facility.
- **Non-Supplanting Limitation** – DHHR grant funds may not be used to supplant Grantee or local funds.
- **Grant Period Limitation** – DHHR grant funds may not be obligated or expended before execution of the grant award and all costs must be incurred prior to the end of the award period.
- **Cap Limitations** – DHHR grant funds may not be used to pay for either administrative or indirect costs that cannot be recovered as a result of a cap limitation.
- **Prohibited Costs** – DHHR grant funds may not be used to pay for unallowable costs or costs charged to another grant program.

- **Authorized Purpose** – DHHR grant funds may not be used to pay for expenditures other than those consistent with the original purpose of the authorization and appropriation under which the grant award was funded.
- **Profit** - DHHR grant funds may not be used to provide profit (revenues above actual allowable expenditures) to nonprofit organizations.

Federal Cost Principles Applicable to Grants	
<u>Type of Subrecipient</u>	<u>Applicable Cost Principles</u>
State, local or Indian tribal government	OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments
Nonprofit organizations	OMB Circular A-122, Cost Principles for Nonprofit Organizations
Colleges and universities	OMB Circular A-21, Cost Principles for Educational institutions
Hospitals	U.S. Department of Health and Human Services regulations 45 CFR Part 74
For-profit organizations	Federal Acquisition Regulations 48 CFR Part 31

Selected Items of Cost

The following table provides an updated listing of selected items of cost contained in each of the OMB cost principle circulars, based on a Federal Register notice dated May 10, 2004. The table lists each selected item of cost along with a summary of its allowability. Grantees are advised not to rely exclusively on this summary, but to review the actual circular text for detailed explanations, determinations and conditions on the allowability of each specific item of cost.

Selected Cost Item	OMB Circular A-87	OMB Circular A-21	OMB Circular A-122
Advertising and public relations costs	(1) Allowable with restrictions	(1) Allowable with restrictions	(1)-Allowable with restrictions
Advisory councils	(2)-Allowable with restrictions	(2) Allowable with restrictions	(2) Allowable with restrictions
Alcoholic beverages	(3)-Unallowable	(3)-Unallowable	(3)-Unallowable
Alumni/ae activities	Not specifically addressed	(4)-Unallowable	Not specifically addressed
Audit costs and related services	(4)-Allowable with restrictions and as addressed in OMB Circular A-133	(5)-Allowable with restrictions and as addressed in OMB Circular A-133	(4)-Allowable with restrictions and as addressed in OMB Circular A-133
Bad debts	(5)-Unallowable	(6)-Unallowable	(5)-Unallowable
Bonding costs	(6)-Allowable with restrictions	(7) Allowable with restrictions	(6)-Allowable with restrictions
Commencement and convocation costs	Not specifically addressed	(8)-Unallowable with exceptions	Not specifically addressed
Communication costs	(7)-Allowable	(9)-Allowable	(7)-Allowable

Selected Cost Item	OMB Circular A-87	OMB Circular A-21	OMB Circular A-122
Compensation for personal services	(8)-Unique criteria for support	(10)-Unique criteria for support	(8)-Unique criteria for support
Compensation for personal services - organization-furnished automobile	Not specifically addressed	(10.g)- Unallowable for that portion of costs attributed to personal use	(8.g)- Unallowable for that portion of costs attributed to personal use
Compensation for personal services - sabbatical leave costs	Not specifically addressed	(10.f(4))- Allowable with restrictions	Not specifically addressed
Compensation for personal services - severance pay	(8)-Allowable with restrictions	(10.h)-Allowable with restrictions	(8.k)-Allowable with restrictions
Contingency provisions	(9)-Unallowable with exceptions	(11)-Unallowable with exceptions	(9)-Unallowable with exceptions
Deans of faculty and graduate schools	Not addressed	(12)-Allowable	Not addressed
Defense and prosecution of criminal and civil proceedings and claims	(10)-Allowable with restrictions	(13)-Allowable with restrictions (Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement)	(10)-Allowable with restrictions (Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement)
Depreciation and use allowances	(11)-Allowable with qualifications	(14)-Allowable with qualifications	(11)-Allowable with qualifications
Donations and contributions	(12)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)	(15)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)	(12)-Unallowable (made by recipient); not reimbursable but value may be used as cost sharing or matching (made to recipient)
Employee morale, health, and welfare costs	(13)-Allowable with restrictions	(16)-Allowable with restrictions	(13)-Allowable with restrictions
Entertainment costs	(14)-Unallowable	(17)-Unallowable	(14)-Unallowable
Equipment and other capital expenditures	(15)-Allowability based on specific requirements	(18)-Allowability based on specific requirements	(15)-Allowability based on specific requirements
Fines and penalties	(16)-Unallowable with exception	(19)-Unallowable with exception	(16)-Unallowable with exception
Fundraising and investment management costs	(17)-Unallowable with exceptions	(20)-Unallowable with exceptions (Fundraising)	(17)-Unallowable with exceptions

Selected Cost Item	OMB Circular A-87	OMB Circular A-21	OMB Circular A-122
Gains and losses on depreciable assets	(18)-Allowable with restrictions (Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs)	(21)-Allowable with restrictions	(18)-Allowable with restrictions
General government expenses	(19)-Unallowable with exceptions	Not specifically addressed	Not specifically addressed
Goods or services for personal use	(20) Unallowable	(22)-Unallowable	(19)-Unallowable
Housing and personal living expenses	Not specifically addressed	(23)-Unallowable	(20)-Unallowable as overhead costs
Idle facilities and idle capacity	(21)-Idle facilities - unallowable with exceptions; idle capacity - allowable with restrictions	(24)-Idle facilities - unallowable with exceptions; idle capacity - allowable with restrictions	(21)-Idle facilities - unallowable with exceptions; idle - capacity allowable with restrictions
Insurance and indemnification	(22)-Allowable with restrictions	(25)-Allowable with restrictions	(22)-Allowable with restrictions
Interest	(23)-Allowable with restrictions	(26)-Allowable with restrictions	(23)-Allowable with restrictions
Interest - substantial relocation	Not specifically addressed	(26.b(6))-Possible adjustment in relocated within 20 years	(23.a(6)(d))-Possible adjustment in relocated within 20 years
Labor relations costs	Not specifically addressed	(27)-Allowable	(24)-Allowable
Lobbying	(24)-Unallowable	(28)-Unallowable with exceptions	(25)-Unallowable with exceptions
Lobbying - executive lobbying costs	(24.b)-Unallowable	(28.h)-Unallowable	(25.d)-Unallowable
Losses on other sponsored agreements or contracts	Not specifically addressed	(29)-Unallowable	(26)-Unallowable (Losses on other awards or contracts)
Maintenance and repair costs	(25)-Allowable with restrictions (Maintenance, operations, and repairs)	(30)-Allowable with restrictions	(27)-Allowable with restrictions
Materials and supplies costs	(26)-Allowable with restrictions	(31)-Allowable with restrictions	(28)-Allowable with restrictions
Meetings and conferences	(27)- Allowable with restrictions	(32)- Allowable with restrictions	(29)-Allowable with restrictions

Selected Cost Item	OMB Circular A-87	OMB Circular A-21	OMB Circular A-122
Memberships, subscriptions, and professional activity costs	(28)-Allowable as a direct cost for civic, community and social organizations with Federal approval; unallowable for lobbying organizations.	(33)-Unallowable for civic, community, or social organizations	(30)-Allowable for civic and community organizations with Federal approval; unallowable for social organizations.
Organization costs	Not specifically addressed	Not specifically addressed	(31)-Unallowable except Federal prior approval
Page charges in professional journals	(34.b)-Allowable with restrictions (addressed under “Publication and printing costs”)	(39.b)-Allowable with restrictions (addressed under “Publication and printing costs”)	(32)-Allowable with restrictions
Participant support costs	Not specifically addressed	Not specifically addressed	(33)-Allowable with prior approval of the Federal awarding agency
Patent costs	(29)-Allowable with restrictions	(34)-Allowable with restrictions	(34)-Allowable with restrictions
Plant and homeland security costs	(30)-Allowable with restrictions	(35)-Allowable with restrictions	(35)-Allowable with restrictions
Pre-agreement costs	(31)-Allowable with restrictions (Pre-award costs)	(36)-Unallowable unless approved by the Federal sponsoring agency	(36)-Allowable with restrictions
Professional service costs	(32)-Allowable with restrictions	(37)-Allowable with restrictions	(37)-Allowable with restrictions
Proposal costs	(33)-Allowable with restrictions	(38)-Allowable with restrictions	Not specifically addressed
Publication and printing costs	(34)-Allowable with restrictions	(39)-Allowable with restrictions	(38)-Allowable with restrictions
Rearrangement and alteration costs	(35)-Allowable (ordinary and normal); allowable with Federal prior approval (special)	(40)-Allowable (ordinary and normal); allowable with Federal prior approval (special)	(39)-Allowable (ordinary and normal); allowable with Federal prior approval (special)
Reconversion costs	(36)-Allowable with restrictions	(41)-Allowable with restrictions	(40)-Allowable with restrictions
Recruiting costs	(1.c)-Allowable with restrictions (addresses costs of advertising only)	(42)-Allowable with restrictions	(1)-Allowable with restrictions
Relocation costs	Not specifically addressed	(42.d)-Allowable with restrictions	(42)-Allowable with restrictions

Appendix 1

Selected Cost Item	OMB Circular A-87	OMB Circular A-21	OMB Circular A-122
Rental cost of buildings and equipment	(37)-Allowable with restrictions	(43)-Allowable with restrictions	(43)-Allowable with restrictions
Royalties and other costs for use of patents	(38)-Allowable with restrictions	(44)-Allowable with restrictions	(44)-Allowable with restrictions
Scholarships and student aid costs	Not specifically addressed	(45)-Allowable with restrictions	Not specifically addressed
Selling and marketing costs	(39)-Unallowable with exceptions	(46)-Unallowable with exceptions	(45)-Unallowable with exceptions
Specialized service facilities	Not specifically addressed	(47)-Allowable with restrictions	(46)-Allowable with restrictions
Student activity costs	Not specifically addressed	(48)-Unallowable unless specifically provided for in the sponsored agreement	Not specifically addressed
Taxes	(40)-Allowable with restrictions	(49)-Allowable with restrictions	(47)-Allowable with restrictions
Termination costs applicable to sponsored agreements	(41)-Allowable with restrictions	(50)-Allowable with restrictions	(48)-Allowable with restrictions
Training costs	(42)-Allowable for employee development	(51)-Allowable for employee development	(49)-Allowable with limitations
Transportation costs	Not specifically addressed	(52)-Allowable with restrictions	(50)-Allowable
Travel costs	(43)-Allowable with restrictions	(53)-Allowable with restrictions	(51)-Allowable with restrictions
Trustees	Not specifically addressed	(54)-Allowable with restrictions	(52)-Allowable with restrictions

Prior Approval Requirements for Nonconstruction Grants by Recipient type Under OMB Circular A-102 and A-110	
State, Local and Indian Tribal Governments	Educational Institutions, Non Profit Organizations, and Hospitals
Any revision of the scope or objectives of the project (regardless of whether there is an associated budget revision requiring prior approval)	Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval)
Any revision which would result in the need for additional funding	The need for additional Federal funding
Changes in Key persons in cases where specified in an application or a grant award	Change in the project director or principal investigator or other key persons specified in the application or award document.
	The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
Unless waived by the awarding agency, cumulative transfers among direct cost categories, or, if applicable, among separately Budgeted programs, projects, functions, or activities which exceed or are expected to exceed ten percent of the current total approved Budget, whenever the awarding agency's share exceeds \$100,000	The federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for awards in which the federal share of the project exceeds \$100,000 and the cumulative amount of such transfer exceeds or is expected to exceed 10 percent of the total Budget as last approved by the federal awarding agency.
	The transfer of amounts Budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the federal awarding agency
Transfer of funds allotted for training allowances (i.e., from direct payments to trainees to other expense categories	The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense
Need to extend the period of availability of funds	
The applicable cost principles contain requirements for prior approval of certain types of costs. Except where waived, those requirements apply to all grants and subgrants	The inclusion, unless waived by the HHS awarding agency, of costs that require prior approval in accordance with OMB Circular A-21, "Cost Principles for Educational Institutions;" OMB Circular A-122, "Cost Principles for Nonprofit Organizations;" or appendix E of this part, "Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals," or 48 CFR part 31, "Contract Cost Principles and Procedures," as applicable.
Contracting out, subgranting (if authorized by law) or otherwise obtaining the services of a third party to perform activities which are central to the purpose of the award	Unless described in the application and funded in the approved award, the subaward, transfer or contracting out of any work under an award. This provision does not apply to the purchase of supplies, material, equipment or general support services.
	The inclusion of research patient care costs in research awards made for the performance of research work.