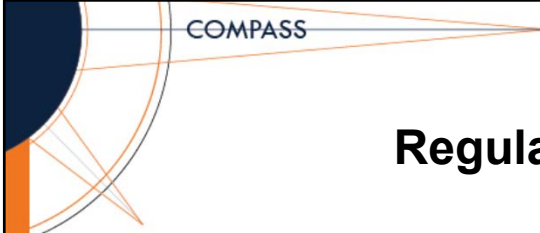




COMPASS

# Regulations and Costing

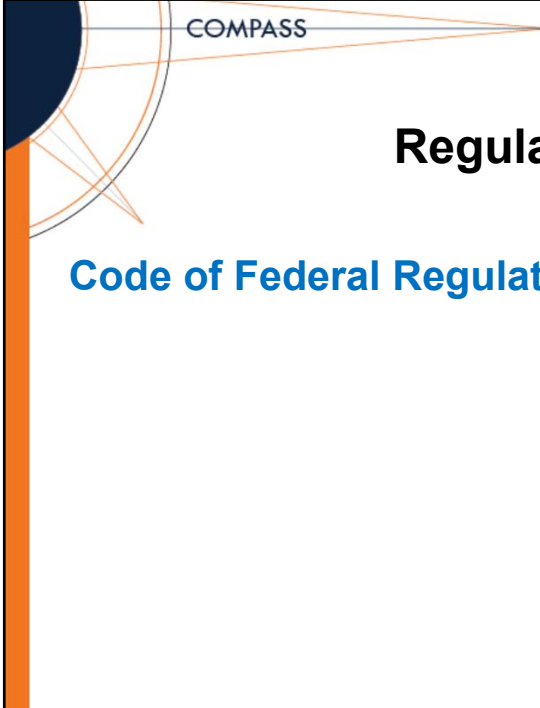
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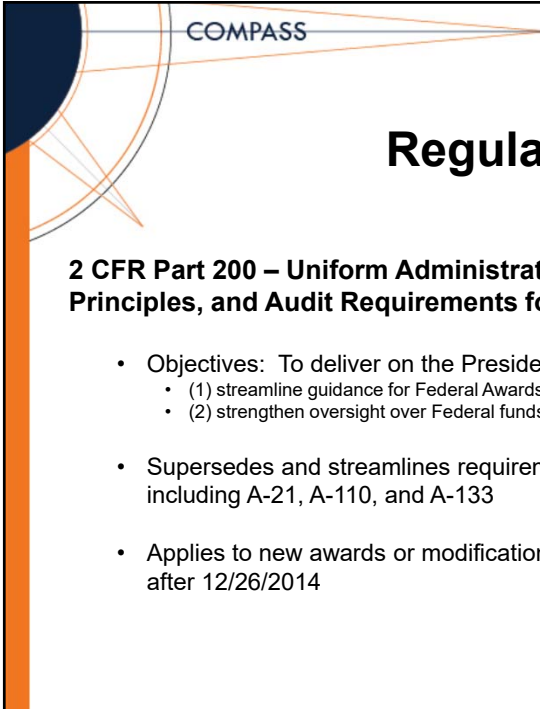
## Regulations

- Code of Federal Regulations
- Cost Accounting Standards
- State Laws and Regulations + University Policies
- Direct Cost Policy
- Agency Guidance
- RFP or Award Document



**Regulations**


**Code of Federal Regulations**



**Regulations**

**2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**

- Objectives: To deliver on the President's directives to
  - (1) streamline guidance for Federal Awards to ease administrative burden and
  - (2) strengthen oversight over Federal funds to reduce risks of waste, fraud, and abuse.
- Supersedes and streamlines requirements from 8 OMB Circulars including A-21, A-110, and A-133
- Applies to new awards or modifications to existing awards issued on or after 12/26/2014

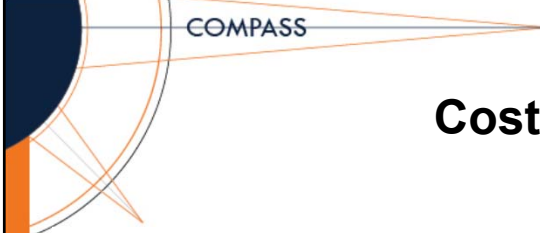


## Regulations and Costing

**2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**

**Total Costs = Direct Costs + Indirect (F&A) Costs**

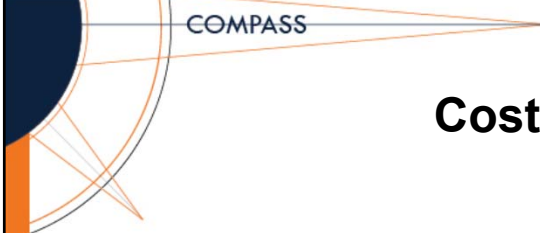
- Direct Costs (**Section 200.413**)
  - Costs that can be identified specifically with a particular final cost objective
  - Assigned to project with a high degree of accuracy & with relative ease
- Indirect (F&A) costs (**Section 200.414**)
  - Must be classified within two broad categories: “Facilities” and “Administration”



## Costing

Direct Costs


- Salaries, wages and benefits of employees working on the award
- Lab Supplies
- Animal Care Costs
- Travel
- Professional Services
- Scientific Equipment
- Subcontract Costs
- Tuition remission



# Costing

F&A Costs (Indirect Costs)

- Depreciation
- Interest
- Operations & Maintenance
- Library
- Administrative Costs
  - Admin & Clerical Salaries
  - General Purpose Equipment & Supplies
  - Postage
  - Telephone

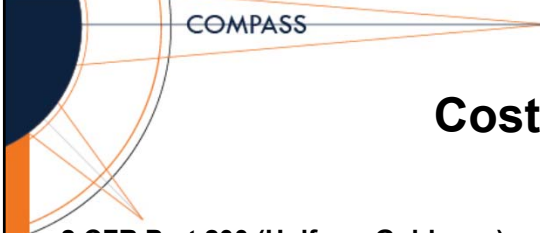


# Costing

**2 CFR Part 200 (Uniform Guidance)**

**Factors affecting allowability of costs**

- a. Reasonable
- b. Allocable
- c. Consistent Treatment
- d. Allowable



# Costing

## 2 CFR Part 200 (Uniform Guidance)


### a. Reasonable

The nature of the goods or services acquired, and the amount involved reflect the action of a prudent person. (OMB Circular A-21, Section C.3).

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. (2 CFR Part 200, Section 400.404)

**Key considerations:**

- The cost is **necessary** for the performance of the award.
- The cost is **consistent** with institutional policies.



# Costing

## 2 CFR Part 200 (Uniform Guidance)

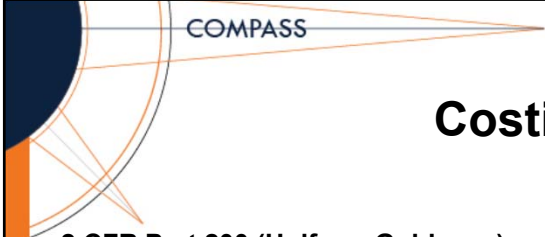
### b. Allocable

**Allocation** – the process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship... (2 CFR Part 200, Section 200.4).

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. (2 CFR Part 200, Section 200.405)

**Considerations:**

- It is incurred specifically for the Federal award
- Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods
- Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal awards in accordance with the principles in this subpart

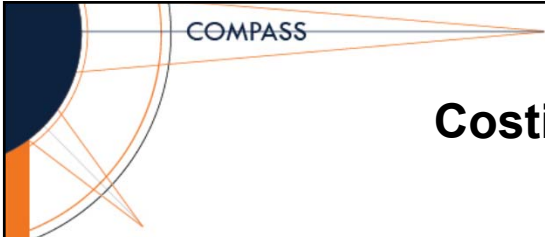


## Costing

**2 CFR Part 200 (Uniform Guidance)**

**b. Allocable**  
**2 CFR Part 200, Section 200.405.3.c.**  
 Any cost allocable to a particular Federal award under the principles for in this part may not be charged to other Federal awards to

- Overcome fund deficiencies
- Avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal award
- Or for other reasons




## Costing

**b. Allocable**  
**COMMONLY USED ALLOCATION METHODS**

- Quantity used
- Number of experiments performed
- Number of hours used, i.e. equipment usage
- Percentage of effort

**UNACCEPTABLE ALLOCATION METHODS**

- Splitting costs evenly between projects
- Size of project budget
- Availability of funds



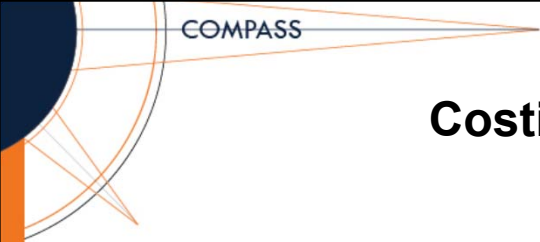
## Costing

**b. Allocable**

**ALLOCATION METHODS – GUIDELINES**

- Always document the allocation methodology
- Allocate on a routine basis
- Allocate on a consistent basis
- Review allocation methods for reasonableness

\* The timing of purchases is important. Normally items have to be *received* and *in use* before the end of the project to provide benefit to the project.



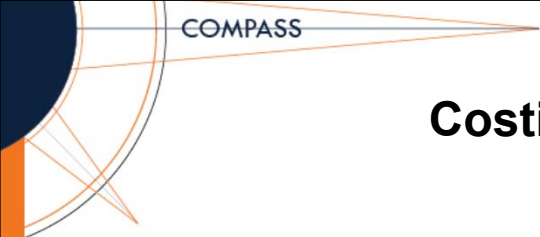
## Costing

**b. Allocation – examples**

PI: I have two grants. One of them has more money than the other. Just pay everything from the one with the bigger balance.

PI: My grant ends on 9/30/17, but I want to present at a conference in December 2017. I registered for it today, so go ahead and put that and my airfare on that grant.

PI: My grad student is working on my Air Force project this month, but I don't have grad student salary budgeted there. Just pay her from my NSF grant until I can revise the budget with Air Force.



## Costing

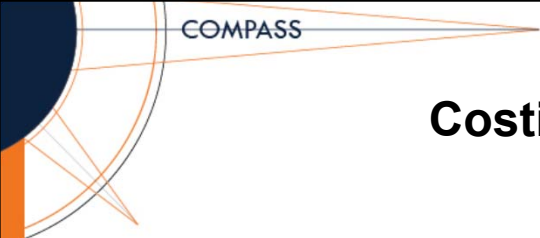
**b. Allocation – examples**

PI: I need to pay each of my three graduate students and my undergraduate student. My salary should be put on the contracts.

The investigator has two active contracts, one internal grant, and one gift.

How would you determine how much (if any) salary is allocable to each contract? The internal grant? The gift?

What other questions do you need to ask?



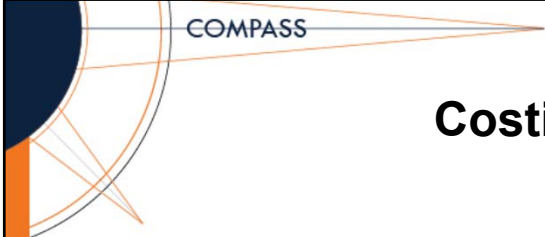
## Costing

**b. Allocation – examples**

A lab uses 3 gallons of solution on Award A and 9 gallons of solution on Award B. The minimum order is 50 gallons.

How much should be charged to each award?  
Where would the remainder be charged?





## Costing

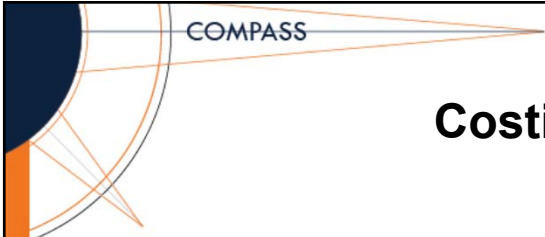
**b. Allocation – examples**

A machine analyzes samples as follows:

- 30 samples for Award A
- 180 samples for Award B
- 480 for Award C
- 650 for the Soil Sciences 101 class
- 60 for Dr. Smith's internal grant

Each sample analysis costs \$15.

How much should be charged to Award A?  
 How much should be charged to Award B?  
 How much should be charged to the internal grant?



## Costing

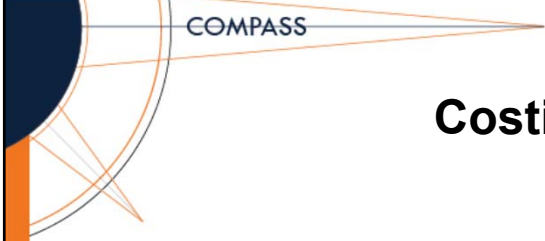
**c. Consistent Treatment**

**2 CFR Part 200, Section 200.412**

...it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances as either a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal Awards.

**Considerations:**

- Consistent costing ensures that a cost is charged only once and only on one basis.
- Aligns with the AU Direct Cost Policy
- Does an unlike circumstance exist?

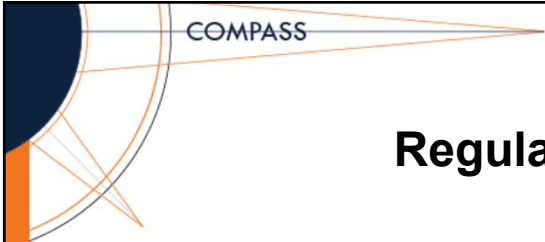


## Costing

**d. Allowable**

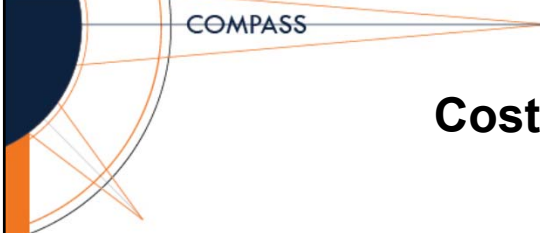
**2 CFR Part 200, Section 200.403**  
Costs must meet the following general criteria in order to be allowable under Federal awards:

- (b) Conform to any limitations or exclusions set forth in these principles or in Federal awards as to types or amounts of cost items.
- (g) Be adequately documented.



## Regulations

### Cost Accounting Standards



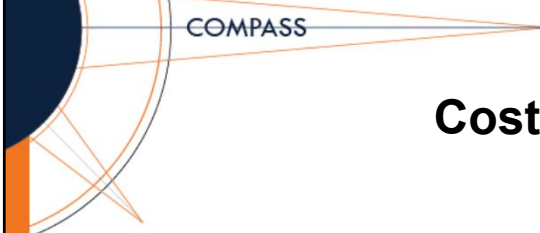
# Costing

Cost Accounting Standards

**CAS 9905.501** – Consistency in estimating, accumulating and reporting costs

**Fundamental Requirement**

- Practices used to estimate costs in the proposal shall be consistent with the university's cost accounting practices
- Practices used to accumulate and report actual costs shall be consistent with the university's practices used in estimating costs

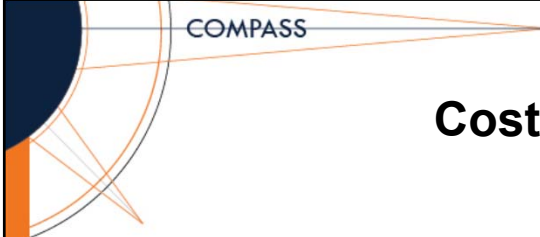


# Costing

**CAS 9905.501** – Consistency in estimating, accumulating and reporting costs

**The consistent application of costs:**

- Enhances the likelihood that comparable transactions are treated alike
- Facilitates the preparation of reliable cost estimates for a proposal and the comparison of actual costs of the performance of the resulting sponsored agreement
- Comparison of costs provides one important basis for financial control over costs during performance of the sponsored agreement
- Aids in establishing accountability for costs in the manner agreed to by both parties at the time of the agreement

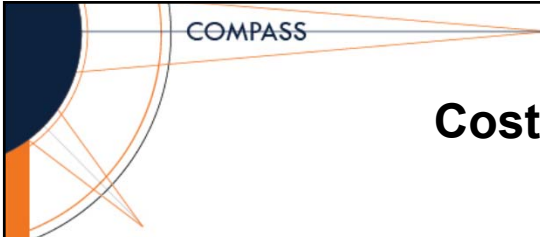


## Costing

**CAS 9905.502** – Consistency in allocating costs incurred for the same purpose

**Fundamental Requirement**

- Costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only
- Protects the federal government from paying for the same cost twice – once as a direct cost and again as an indirect cost

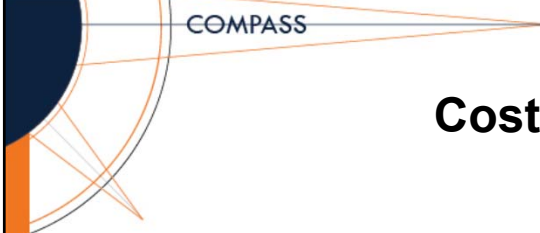


## Costing

**CAS 9905.505** – Accounting for unallowable costs

**Fundamental Requirement**

- Costs expressly unallowable or mutually agreed to be unallowable shall be identified and excluded from any billing, claim, application, or proposal for a sponsored agreement
- Sections 200.420 – 200.475 discuss the allowability of select items of cost, some of which should never be charged directly or indirectly to sponsored projects
- Alumni activities, lobbying, alcohol, entertainment costs are some examples of expressly unallowable costs

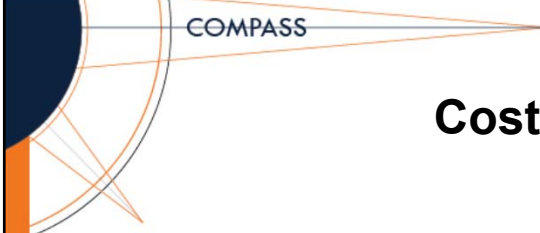


# Costing

**CAS 9905.506** – Cost accounting period

**Fundamental Requirement**

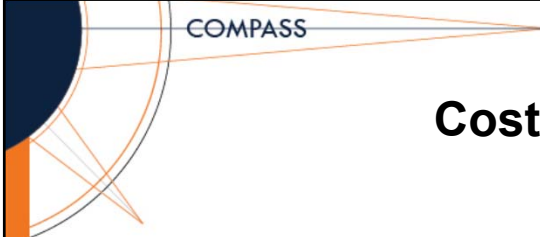
- The fiscal year shall be used as the cost accounting period
- Reduces the effect of variations in the flow of costs within each cost accounting period
- Enhances objectivity, consistency, and verifiability and promotes uniformity and comparability in sponsored agreement cost measurements



# Costing

**Federal Regulations**

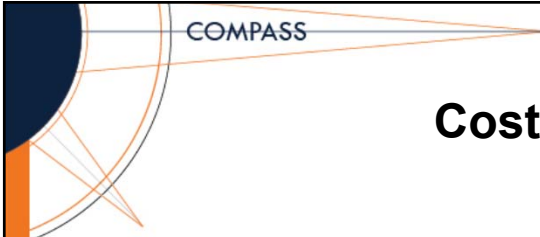
Uniform Guidance  
<https://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1>



# Costing

**State Laws and Regulations + University Policies**

- Alabama Bid Law
- Travel Policies
- Spending Policies



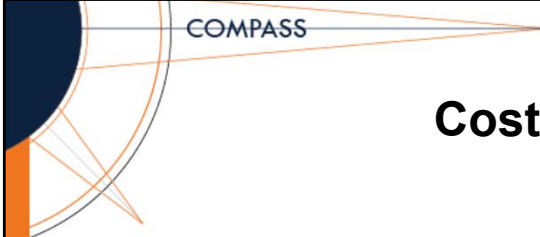
# Costing

**Auburn University Direct Cost Policy**

**Objective**

- General Principle: where a particular type of cost is treated as a direct cost of sponsored agreements, all costs incurred for the same purpose, in like circumstances **MUST** be treated as a direct cost.
- To provide consistency across the University

<https://sites.auburn.edu/admin/universitypolicies/Policies/DirectCostPolicy.pdf>

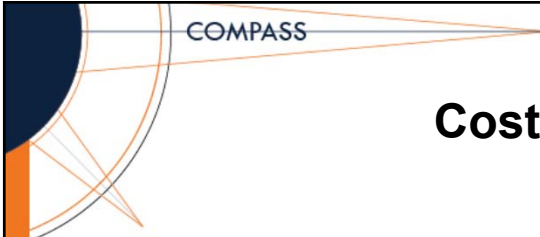


# Costing

**Auburn University Direct Cost Policy**

**Costs Typically treated as Direct Costs:**

- Salary, Wages, Employee Benefits of those working on the project
- Lab supplies specifically required to complete the work of the project
- Animal Care Costs
- Project related travel
- Professional Services
- Scientific Equipment & related costs
- Subcontractor Costs

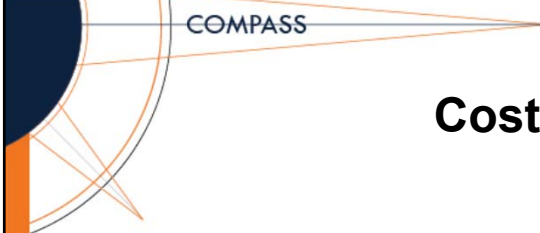


# Costing

**Auburn University Direct Cost Policy**

**Costs Typically treated as Indirect Costs (F&A):**

- Administrative & Clerical Salaries
- Office supplies
- Postage
- Telephone Service
- Other supply & related costs



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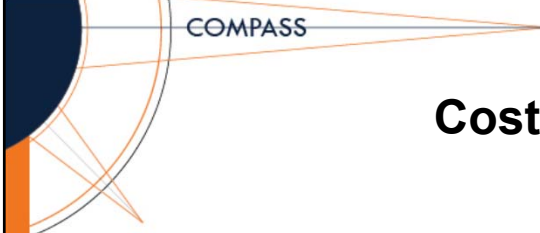
## Costing

### Auburn University Direct Cost Policy

#### Administrative & Clerical Salaries

Salaries associated with normal administrative tasks should normally be charged to an unrestricted fund

- Deans' Offices
- Departmental Administrative Offices
- Proposal Development



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## Costing

### Auburn University Direct Cost Policy – Indirect Costs

#### Office Supplies

General office supplies (pens, papers, staples, paperclips, etc.) or general purpose computer supplies (general purpose software, flash drives, external hard drives, cords, etc.) should normally be charged to an unrestricted fund

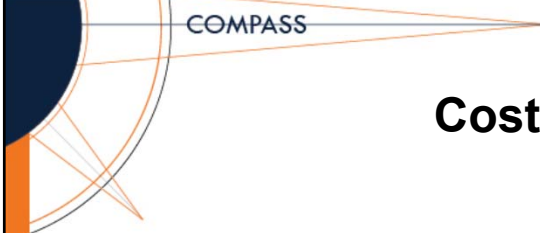
#### Postage

Postage costs may be charged as a direct cost when

- There is a high demand for postage as described in the budget
- A meter or log is used to document the appropriateness of the charge

Overnight mail costs could be direct charged if necessary for project





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## Costing

**Auburn University Direct Cost Policy – Indirect Costs**

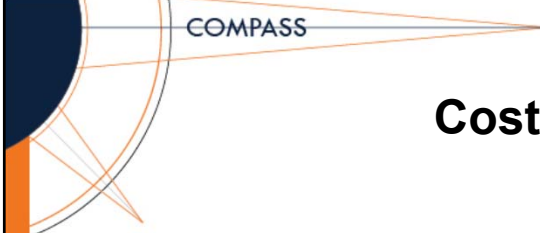
**Telephone Service**

Basic/local telephone service costs may be charged as a direct cost when

- A dedicated line is used solely for the project
- The size and nature of the project require such a service which is described, in detail, in the budget justification

Long distance telephone service costs may be charged as a direct cost if:

- Cost can be identified and allocated appropriately based on the benefit received
- The costs are necessary and reasonable for the performance of the project



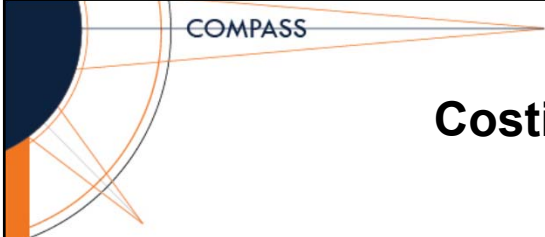
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## Costing

**Auburn University Direct Cost Policy – Indirect Costs**

**Other Supply & Related Costs**

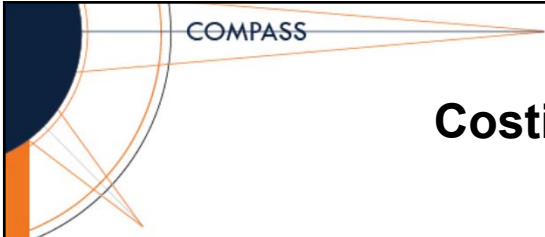
- General purpose equipment (laptops, desktops)
- Memberships
- Subscriptions
- Books
- Office furniture
- Cell phones



## Costing

**Unlike Circumstances**  
Direct charging of a normally indirect costs as a direct cost may be appropriate where a project or activity, due to its size and nature, required these costs that are well beyond the normal departmental support routinely provided for department activities

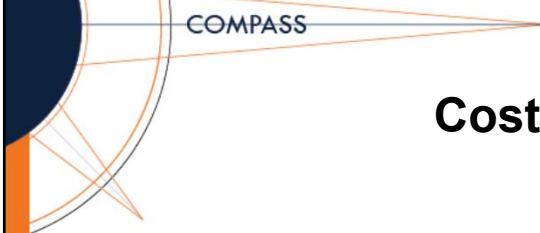
- Major Project designation (**OMB Circular A-21, Exhibit C**)
  - Projects that involve extensive data accumulation, surveying, tabulation
  - Projects whose principle focus is the preparation and production of manuals, large reports, books and monographs
- Uniform Guidance (**2 CFR Part 200**)
  - Major Project designation terminology not included, but concept is still applicable



## Costing

**Unlike Circumstances**

- Significant in cost and quantity to the project
- Is completely consumed in the course of the project
- Is not used for other purposes
- Is assigned with relative ease and with a high degree of accuracy

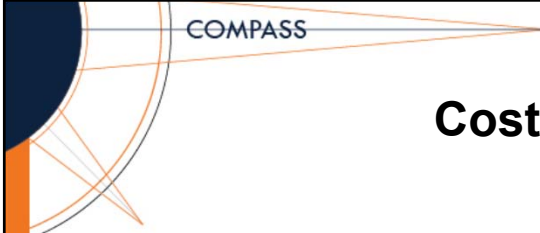


## Costing

**Unlike Circumstances**  
 New language in Uniform Guidance (Section 200.413.c.1-4)  
Admin/Clerical Costs

- Services are integral to the project or activity
- Individuals involved can be specifically identified with the project or activity
- Costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency
- The costs are not also recovered as indirect costs.

**Consideration:** What is *integral*?

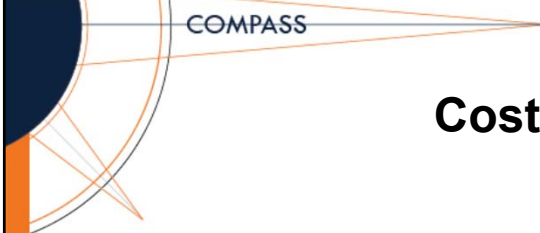


## Costing

**Unlike Circumstances**  
 New language in Uniform Guidance (Section 200.20 and 200.453)  
Computing Devices – machines used to acquire, store, analyze, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information.

*...charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a federal award.*

**Consideration:** What is *essential*?

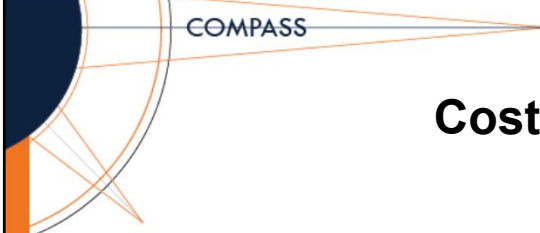


# Costing

**Auburn University Direct Cost Policy**

**Inappropriate Charging Practices**

- Charging costs near project completion to spend down award
  - High volume of cost transfers at end of project
- Charging budgeted amounts rather than actual amounts
- Assigning charges to a project on the basis of the remaining balance to resolve funding problems
- Assigning charges before the costs is incurred
- Miscoding or misrepresenting a cost
- Rotating charges among projects without establishing that the rotation schedule accurately reflects the relative benefit to each benefit during the specified period of time




# Costing

**Auburn University Direct Cost Policy**

**Inappropriate Charging Practices (continued)**

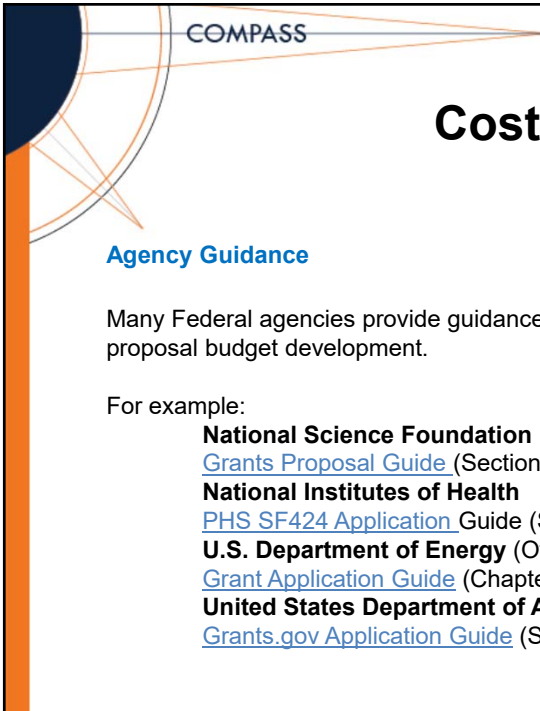
- Charging an expense exclusively to an award when the expense has supported other activities
- Assigning charges that are part of the normal administrative support for awards (e.g. proposal preparation, accounting, payroll, etc.)
- Applying a “department tax” to projects for clerical, secretarial, and administrative costs or prorated costs for office supplies, telephone bills, photocopier usage and the like
- Charging costs incurred for multiple projects or functions to several sponsored projects when there is difficulty determining the benefit to each sponsored project



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## Regulations

### Agency-specific or RFP requirements



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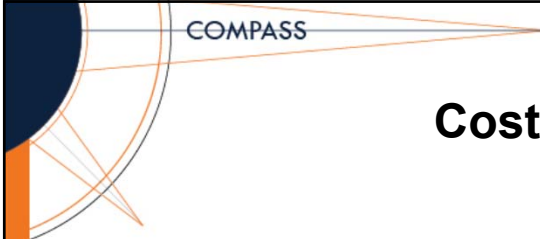
## Costing

### Agency Guidance

Many Federal agencies provide guidance in regard to appropriate costs for proposal budget development.

For example:

- National Science Foundation**  
[Grants Proposal Guide](#) (Section II.G.)
- National Institutes of Health**  
[PHS SF424 Application Guide](#) (Section 4.7)
- U.S. Department of Energy** (Office of Science)  
[Grant Application Guide](#) (Chapter 4)
- United States Department of Agriculture** (NIFA)  
[Grants.gov Application Guide](#) (Section 7)

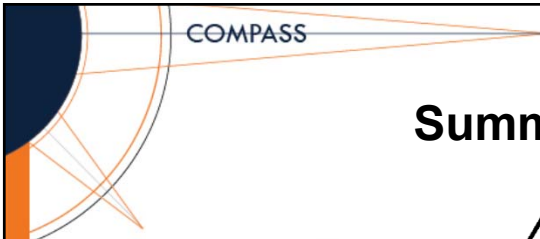


# Costing

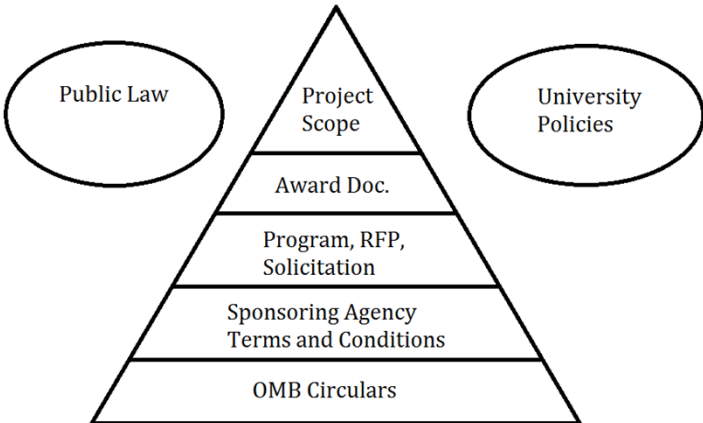
**RFP or Award Document**

**Review proposed budget**

- Review the RFP or award terms & conditions for spending restrictions or re-budgeting rules.
- Compliant with the governing Federal Regulations



# Summary



Public Law

Project Scope

University Policies

Award Doc.

Program, RFP, Solicitation

Sponsoring Agency Terms and Conditions

OMB Circulars

Credit to Ann Holmes of the University of Maryland College Park and NCURA's Youtube Tuesdays



# Costing

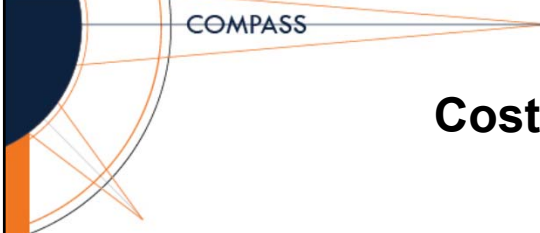
<https://www.youtube.com/watch?v=szF-zmCYEs>



# Costing

**Important Reminders**


- Sections of regulations regarding Selected Items of Cost discuss allowability as a direct or an indirect cost.
- Document, document, document.
- We must be consistent in our treatment of costs.



# Costing

## Important Reminders

- If you are working with a non-federal sponsor (the funds cannot originate with a federal source), items that are normally considered indirect *may* be allowed as direct charges if:
  - The direct charging of items is not used in lieu of or to reduce indirect cost recovery at the appropriate rate
  - The items are approved in the award and the budget
  - The sponsor consistently and universally limits indirect cost recovery to a rate less than the applicable negotiated rate
  - \* The costs must be allocable. \*

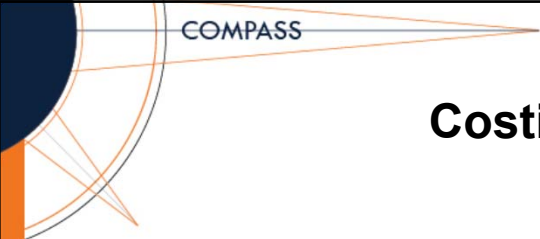


# Regulations and Costing

## Handout Scenarios

Complete in groups. We'll go over responses as a class.





## Costing

**Scenarios – What questions would you ask? How would you address with the PI? (handout)**

PI: I want to buy a computer and charge it to my grant.

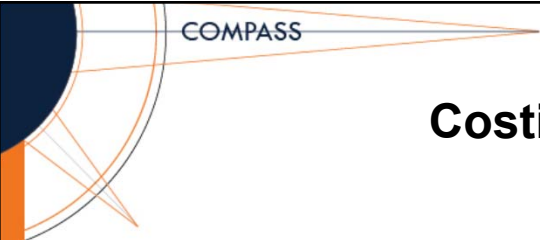
PI: I want to buy an i-pad.

PI: I want to buy paper & pencils.

PI: I need a membership to a professional organization.

PI: I need to transfer over-expenditures from my NIH project to my NSF project.

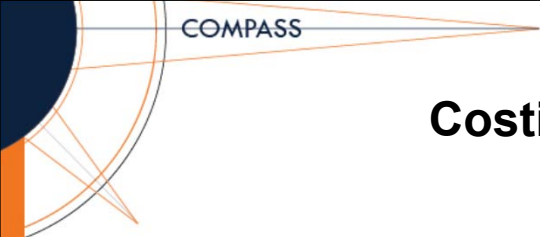
PI: My grant ends tomorrow, so I want to pre-pay for the animal per diem for my next grant.



## Costing

**Scenarios – What questions would you ask? How would you address with the PI? (handout)**

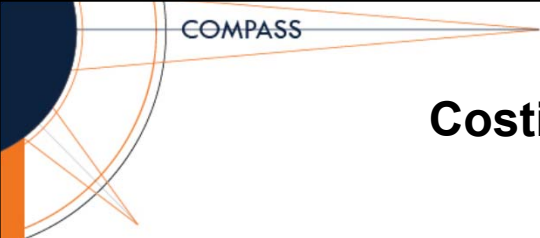
- PI: I need to buy mice.
- PI: I need widgets for my project, but the minimum order is 1,000 widgets.
- PI: I want to buy a flash drive for storing project data. I won't use it for anything else.
- PI: I want to list an hourly rate for my salary in my budget.
- PI: I have four awards, just split the invoice among them.
- PI: I just bought 4 microscopes. I am using them all for my Freshman Biology class, but I want to charge them to my NSF award.



## Costing

**Scenarios – What questions would you ask? How would you address with the PI? (handout)**

- PI: I have two awards, one is fixed-price and one is cost reimbursable. I want to spend the cost reimbursable one first.
- PI: I want to use my new NSF award to join the University of Florida Alumni Club.
- PI: I have a federal grant. Do I use the federal per diem rate when I travel in the US?
- PI: I want to give the children snacks when I show them the apps.
- PI: My grad students and I are meeting this evening at Mama's Homecookin' Restaurant to discuss the progress on the NSF grant. I am going to buy their dinner and a few cocktails and charge it to the project.
- PI: I need to pay my grad student. I have 3 grants.



## Costing

**Scenarios – What questions would you ask? How would you address with the PI? (handout)**

- PI: I'm working on the NIH project now, but I want my salary paid from the NSF project.
- PI: I budgeted \$5,000 for supplies. Just charge that amount.
- PI: Let's charge NSF this month, NIH next month, DoE the following month, then we'll start back over with NSF.
- PI: I want to put equipment in the budget for my new NSF proposal.
- PI: My grant ends in a week, and I have \$10,000 left. I'm going to buy supplies for my lab to spend the rest of the money.
- PI: I am submitting a proposal for a 5-year project. I heard that admin/clerical salaries are now allowed. I want to put 1.5 months of our Financial Assistant's salary on the project.