



Direct and F&A Costing





Recent audit activity

SUMMARY OF FINDINGS

- Based on our sample results, we estimated that, of the \$42,466,929 in costs covered by our review, the University charged at least \$1,234,883 in unallowable salary and nonsalary costs to HHS awards during FY 2010.
- In addition, the University charged unallowable direct and facilities and administrative costs totaling \$184,641 for two awards. The costs were unallowable because the University relinquished the awards to another institution and charged costs to the awards after their relinquishment. **The University's oversight did not ensure that all costs claimed were allowable. Although its finance and accounting procedures often incorporated text from the applicable cost principles, the University largely left it to the discretion of its individual colleges, departments, and principal investigators to interpret the University's policies and procedures for charging costs to Federal awards correctly and to comply with Federal regulations and guidance.**

- OIGHHS Audit of University of Colorado Denver

- <https://oig.hhs.gov/oas/reports/region7/71106013.pdf>

Why is this Audit relevant to us?

- Because under new UG there is no after-the-fact forgiveness.
- BIGGER concern for us is that departmental personnel and PI's don't seem to always know what is in their approved budget lines or the Sponsor specific requirements.
- This audit proves that knowing the budgets and requirements are crucial for managing projects at all levels of our organization.



Goal for this class

- To maximize the costs that may be directly charged to Federally sponsored projects.
- Understand to maximize costs we must be compliant with Uniform Guidance and Sponsor specific requirements.



Sources of guidance

- Uniform Guidance <https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards#p-677>
- UT Fiscal Policy FIO206-Sponsored Projects-Distinguishing Direct vs indirect Costs
- Award document provisions
- Sponsor specific requirements



Federal funding

- Uniform Guidance-Subpart D-Post Federal Award Requirements for Financial and Program Management is applicable to Federal & Federal flow-thru awards
 - UT gets an award directly from a Federal agency such as NSF (National Science Foundation)
 - UT gets an award from a Federal agency thru a pass-thru organization
 - For example, NASA awards Vanderbilt \$1 million. Vanderbilt subcontracts \$250,000 to UT to perform a portion of the work. The prime source of funding, NASA, is usually mentioned in the award document. All Federal rules are passed down to UT.

OMB Uniform Guidance Subpart D

(200.403-200.407)



- Describes charging practices on Federal & Federal flow-thru awards
 - Only allowable costs may be charged
 - Certain costs are never allowable
 - Common sense clauses
 - Charges must be reasonable & allocable
 - Charging practices must be consistent
 - Some costs are normally considered to be direct costs & some are normally considered to be F&A costs
 - This prevents double charging the Federal government for the same cost

Direct or F&A costs?



- Direct costs
 - Salaries, staff benefits, supplies, long-distance phone calls, travel, equipment, subcontracts
 - Exception to “basic support” costs
 - Due to nature of project technical work
- F&A costs
 - Facilities costs
 - Bldgs., equip, electricity, library
 - Admin costs
 - “Basic support” cost
 - Clerical & admin salaries, phone line charges, office supplies

What expenses does F&A recover?



- Facilities
 - Buildings
 - Sidewalks
 - Electricity / fuel
 - Equipment
 - Library
 - Security
 - Custodial
- Administrative
 - Dept. clerical & admin staff salaries
 - Research office
 - Basic office supplies & expenses
 - Portion of other admin costs – Dept. Head, Dean, system charge, etc.



Exceptions

- Sometimes it is appropriate to directly charge costs that are normally considered to be included in F&A (Uniform Guidance 200.413) if:
 - Administrative or clerical services are integral to a project activity; *
Integral/Essential is defined as being absolutely necessary for the completion of the statement of work. Administrative or Clerical personnel are integral/essential to a project if they are directly supporting the projects statement of work.
 - Individuals involved can be specifically identified with the project;
 - Such costs are explicitly included in the budget agreement;
 - And Costs are not also recovered as indirect (F&A) costs

Know Sponsor Specific Requirements!

- OMB has allowed each Federal agency to develop their own implementation plans for UG requirements.
- This means you not only need to know UG but you also need to know the Sponsor specific requirements for managing your projects.
- This is going to make managing spending a little dicey.

Prior Approval



UG now requires prior approval for direct cost expenditures.

(What needs prior approval)

- Cost Sharing or matching
- Program income
- Revision of budget and program plans
- Compensation-Personal services & Fringe Benefits
- Entertainment Costs
- Equipment and other capital expenditures
- Exchange rates
- Fines, Penalties, damages and other settlements
- Fund raising and investment management costs
- Goods or services for personal use
- Insurance and indemnification
- Memberships, subscriptions, and professional activity costs
- Organization costs
- Participant support costs
- Pre-Award costs
- Rearrangement and reconversion costs
- Selling and marketing costs
- Travel Costs
- Computing Devices

What happens if I don't have prior approval?

- If the department charges an expenditure as a direct cost that is listed in UG as requiring prior approval and the expenditure was not initially approved in the budget agreement, SPA will remove the expense and charge it to the department.
- There is no longer an option to ask for forgiveness after the cost has been incurred.

How do you get prior approval before the award?

- During the proposal stage, work with your Office of Sponsored Programs representative to include all possible needs into your initial budget agreement for cost reimbursable projects.
- Doesn't matter if you don't use the allowance. The important factor is that it is there if you need it. If you see a "possible" need, ask for it in the initial proposal.

How to get prior approval after receiving the award.

- Prior to making the purchase, the department/PI will need to complete an Award Action Form and request a re-budget through the Office of Sponsored Programs.
- The re-budget must be approved before the item is purchased.
- SPA will be asking for original receipts on any purchases that look like they were made before receiving prior approval.

Any Questions???

JPG Preview

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Sponsored Projects

Accounting “Certification”

- The Modules listed as Training Classes related to Sponsored Projects can also be taken as a **Certification**.
- In order to gain a Certification in Sponsored Projects Accounting, you must take the training class and pass a quiz associated with the training module.
- Trainings toward the Certification can be obtained through HR training courses, Blackboard, or In-House training (upon departmental request)
- If taking the training through HR for the Certification you will need to take the quiz. Quiz’s are located in the Sponsored Projects Accounting project section in Blackboard.
- You must be registered as a participant within this project in Blackboard to gain access.
- To be setup in Blackboard contact Jay Taylor, Financial Compliance Officer, SPA @vtaylor@utk.edu or 974-0952.

RAOR Meetings

- ROAR meetings are held on the 3rd Wed. of each month between 10-11am.
- Please consider attending these meetings. Each meeting has a specific topic and the meetings are open forum discussion. That means you should bring all your questions based on the topic being presented or just come to provide feedback about your experiences with others based on their questions.
- Also, the topics are chosen by topics/concerns supplied by attendees. The ROAR Committee would love to hear your topic requests.
- These meetings will give valuable information for you to take back to your department!