



OFFICE OF THE VICE CHANCELLOR
FOR RESEARCH

Research Administrators Monthly Meeting July 2018

Tiara Kimp, Assistant Director
Grants & Contracts Office

Katrina Lopez, Assistant Director
Grants & Contracts Office



Identifying Unallowable Costs on Sponsored Projects

Agenda

- Review UG and Institutional Guidance
- Review Frequent Unallowable Costs
- Questions/Discussion



Learning Objectives

Participants will:

- ❖ understand their role in reviewing expenditures
- ❖ apply the Basic Considerations of Cost Principles
- ❖ distinguish the difference between restricted and unallowable costs
- ❖ identify the hierarchy of governing regulations
- ❖ identify general unallowable costs
- ❖ understand the importance of frequent expenditure review
- ❖ receive a list of resources

What's my role?



❖ §200.400 Policy guide...

(b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

(c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.



Uniform Guidance

2 CFR 200.400 – Subpart E – Cost Principles

❖ 200.403 – Factors affecting **allowability**.

- Necessary and reasonable for the performance; in accordance with UG & University policies; consistent treatment; adequately documented

❖ 200.404 – **Reasonable** costs.

- Generally recognized as ordinary & necessary; market prices; acting in prudence; consistent treatment

❖ 200.405 – **Allocable** costs.

- Incurred specifically for the award; benefits the award and other work; must be allocated based on proportional benefit with little effort/cost; or any reasonable documented basis if the proportional benefit cannot be determined due to the interrelationship of the work.
- Any cost allocable ... may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons.

University Policy

❖ OBFS Policies and Procedures

Section 16-Grants & Research Contracts - Sponsored Projects Cost Principles

- Much of the University refers into the UG or mirrors the same requirements
- A few things to highlight:
 - Accorded consistent treatment appropriate to the circumstances.
 - Be adequately documented [Costs] .
- For certain items of costs to be allowable as direct charges, prior written approval from the sponsor may be required.
- Select Items of Cost: <https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-principles/treatment-of-select-items-of-cost>



APPROVAL

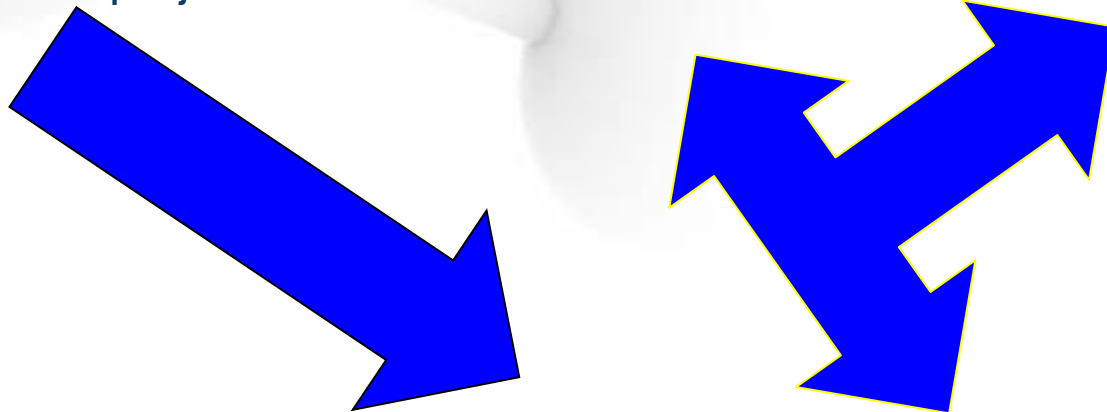


WHAT YOU DO
EVERY DAY
MATTERS
MORE THAN
WHAT YOU DO
ONCE IN A WHILE.

Uniform Guidance & University Policy

❖ Direct Cost (200.413) vs. Indirect Costs (200.414)

- **Direct Costs** – Costs that can be identified specifically with a particular final cost objective, such as a federal award, can be directly assigned to such activities relatively easy with a high degree of certainty
- **Indirect Costs** – Costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to a particular project.



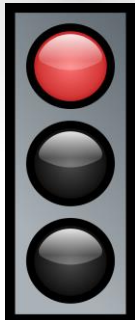
Uniform Guidance & University Policy (Cont.)

❖ Restricted



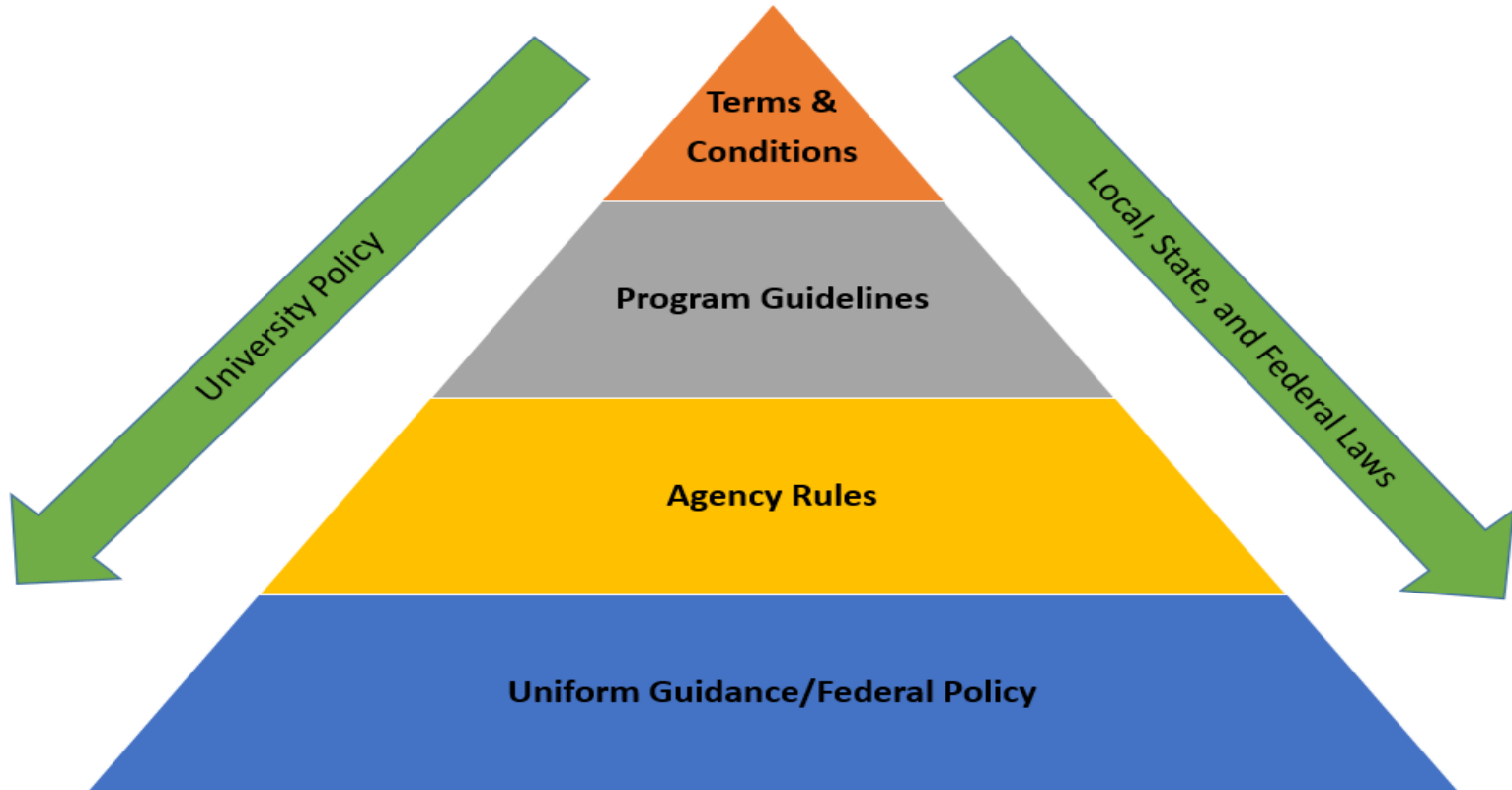
- Federal regulations restrict charging certain types of costs directly to federal sponsored projects, though in some instances they are permitted as direct charges if there is explicit justification and/or receives prior approval. These costs are normally allowable charges to indirect cost pools (E.g., administrative salaries, memberships, postage, office supplies, and telephone monthly line charges)

❖ Unallowable



- These are costs that are not allowable as either direct charges to federal sponsored agreements, indirect cost pools, or recharge centers. (E.g., alumni relations, fundraising or development, community relations, investment management, trustees' travel, fines and penalties, etc.)

Order of Precedence



General Unallowable Cost Overview



General Unallowable Costs

❖ Common unallowable costs

- Alcohol
- Advertising (restricted)
- Alteration/Renovations (restricted)
- Expenses prior to GAN start date
- Entertainment
- Food (see business meal policy)
- Gifts/Prizes/Promotional Items
- Scholarship/Fellowship/Student Aid on federal research awards
- Memberships (social, individual, etc.)
- Personal subscriptions



Commonly Seen Unallowable Costs - Ask yourself...



❖ Food

- Is this an allowable cost per the awarding agency/program/terms and conditions/institution?
- Was this **specifically** budgeted?
- How is this expense necessary to complete the aims of the project?
- Is this food for the routine business meetings?
- Is this specific dissemination of technical information related to the project?
- Does this meet the University's business policy?
 - <https://www.obfs.uillinois.edu/bfpp/section-8-payments-reimbursements/determine-allowability-business-meals-refreshments>

General Unallowable Costs (cont.)

❖ Burden to justify as direct cost (vs. indirect)

- General Supplies
- Membership (Professional Organizations)
- Subscriptions (Institutional)
- Administrative salaries (restricted)
- Books/Reference materials (restricted)
- Telecom/Communications (restricted)
- Conference/Meeting registration
- Training and Education
- Postage/Shipping
- Copying



Direct vs. Indirect Unallowable Cost - Ask yourself...

❖ So what about...?

- Office Supplies
- Telecom
- Postage/Shipping
- Copier



- ❖ These expenses are normally considered as indirect expenses
- ❖ If directly charged to the grant, you should justify that the expense:
 - directly benefits the grant
 - is necessary for the aims of the project/specifically budgeted



Commonly Misunderstood Costs - Ask yourself...

- ❖ Memberships and/or Subscriptions - what kind is it?

<u>Type</u>	<u>Allowability</u>
business, technical, and professional organizations	restricted
civic or community organization*	restricted
country club, social or dining club*	unallowable
Individual	unallowable



** This type is generally not applicable to subscriptions*

Commonly Misunderstood Costs - Ask yourself...(cont.)

❖ Training & Education

❖ Books & Reference Materials

- Would the expense -
 - provide a direct benefit to the project?
 - benefit other projects/initiatives?
 - be purchased even if grant funds weren't available?
 - If so, is it properly allocated?



❖ Conferences & Meeting Registration

- In addition to the considerations above,
 - Is this expense allowable per T&C's, program and sponsor guidelines?
 - Is prior approval needed?

General

Unallowable Costs (cont.)

❖ Burden to ensure properly allocated

- Background Checks
- Visas
- Parking (stickers/space rental)
- Cell phone Stipends
- Computing Devices
- Recruiting



❖ Institutional Policy

- Tuition Differentials (caveat)
- Sabbatical costs



General Unallowable Costs (cont.)

❖ Salary/Effort Related Costs

- GC-91 (overpayments on grants)
- Lump sum payments
- **Salary cap**
- Termination Payout
- Pre-award (in some cases), proposal development (in some cases), administrative time



ANNUAL
REPORT



“Hidden” Unallowable Costs

- ❖ Check the terms and conditions of your award.
- ❖ Expenses that are otherwise determined allowable may be unallowable on your particular project
 - Foreign travel
 - PI salary
 - Salary over a certain threshold
 - Fringes
 - Indirect Costs
 - Overtime



Cost Review Points

- ❖ Proposal Development
- ❖ Frequent Departmental Financial Reviews
- ❖ Compliance Exception Reporting
- ❖ GCO Pre-closeout Review



Resources

❖ Uniform Guidance 2 CFR 200

- Subpart E – Cost Principles (200.400)
- https://www.ecfr.gov/cgi-bin/text-idx?SID=7ba4c7c94d3650dd41df28350db83173&mc=true&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

❖ HHS UG – 45 CFR Part 75 (CDC, HRSA, etc.)

- Subpart E - Cost Principles (75.400)
- <https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=df3c54728d090168d3b2e780a6f6ca7c&ty=HTML&h=L&mc=true&n=pt45.1.75&r=PART>

❖ NIH Grants Policy Statement

- Section 8 Administrative Requirements
- <https://grants.nih.gov/policy/nihgps/index.htm>

❖ NSF PAPPG

- https://www.nsf.gov/pubs/policydocs/pappg17_1/index.jsp
- Chapter X – Allowability of Costs

Resources (cont.)

- ❖ **University of Illinois - Sponsored Projects Cost Principles**
 - Section 16-Grants and Research Contracts/Sponsored Projects Cost Principles
 - <https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-principles>
- ❖ **State of Illinois Awards**
 - Grant Accounting and Transparency Act (GATA)
 - <https://www2.illinois.gov/sites/GATA/Pages/default.aspx>
- ❖ **Terms and Conditions of your program and project**

Questions/Discussion



Next Meeting

Wednesday, August 15 from 1-2pm

Topic

Post-Award: Cost Transfers