COST ACCOUNTING STANDARDS

AND

UNIVERSITY POLICIES

Controller’s Office
Purpose of Training

- Provide information on changes/updates to University Policies and Procedures relating to allowable charges to federally funded grants and contracts
- Framework to aid PI’s in their determination of the allowability of charges to federal grants and contracts
What Are They?

- OMB Circular A-21
- Disclosure Statement, DS-2
- Cost Accounting Standards
- University Policies
• Cost Principles for Educational Institutions
  – Direct Costs
    • Specifically incurred for a particular sponsored project
  – Indirect Costs (Facilities & Administrative (F&A) costs)
    • Cannot be specifically identified to a particular sponsored project
• General Guidance on Unallowable Costs
Disclosure Statement

- Required by OMB Circular A-21
- Describes University’s cost accounting practices and policies
- Will be audited by Defense Contract Audit Agency (DCAA) to determine university’s compliance with stated policies and cost accounting standards
Cost Accounting Standards

- 501 Consistency in Estimating, Accumulating and Reporting Costs
- 502 Consistency in Allocating Costs
- 505 Accounting for Unallowable Costs
- 506 Cost Accounting Period
Standard 501 - Estimating, Accumulating and Reporting Costs

• Fundamental Requirement
  – Practices used to estimate costs in the proposal shall be consistent with University’s cost accounting practices
  – Practices used to accumulate and report actual cost shall be consistent with estimating practices

• Consistency
  – Classification of costs as Direct or Indirect (F&A)
University Policies

- 3245 Cost Sharing - (CAS 501), effective 1/28/98
- 3240 Consistency in Charging Administrative and Clerical Costs - (CAS 502), effective 7/01/98
- 3255 Cost Transfers - (CAS 505), effective 1/28/98
- 3250 Service Centers, effective 1/28/98
University Policy 3245
Cost Sharing on Sponsored Projects

• Cost Sharing only when required
  – by the sponsor
  – or by the competitive nature of the award
• Cost Sharing Commitments
  – recorded in University’s accounting system
  – documented in project file
• Cost Sharing procedures

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Standard 502 - Allocating Costs Incurred for Same Purpose

• Costs incurred for same purpose in like circumstance are Direct only or Indirect (F&A) only
• Reason: To protect the federal government from paying for the same cost twice—once when charged directly and again as part of the overhead or F&A rate
University Policy 3240 - Consistency in Charging Administrative and Clerical Costs

- Ensure same types of costs are **not** charged to federally sponsored agreements both as direct costs and indirect costs
- Examples of normally Indirect Costs
  - Clerical salaries
  - Office supplies
  - Postage charges
  - Local phone/Data line /Modem connection charges
  - Memberships

*Controller’s Office*
University Policy 3240 (continued)

Exceptional (unlike) Circumstance

- Examples of major projects
  - Large, complex programs managing teams of investigators from a number of institutions
  - Projects with extensive data accumulation, analysis, etc.
  - Projects requiring travel and meeting arrangements for large numbers of people
  - Project geographically inaccessible to normal departmental administrative services
- This list is not all inclusive
Exceptional (unlike) Circumstance

• Charging federally sponsored programs for clerical and administrative costs because no other source of funds is available is **NOT acceptable**
• Lack of alternative funding is NOT a “unlike” or extraordinary circumstance
• These policies apply to ALL university or college centers, departments, and other entities which have federally funded sponsored programs
University Policy 3240 (continued)

Exceptional (unlike) Circumstance

- Principal Investigator must provide written justification
- The Office of Sponsored Programs will make final determination when to include administrative and clerical costs in proposals
- Cost must be separately identified, documented and budgeted in the proposal

Controller’s Office
Standard 505- Unallowable Costs

• OMB A-21 Guide to identifying unallowable costs - these costs should NEVER be charged either directly or indirectly to federally sponsored projects
  – Fund Raising/Development
  – Advertising, Marketing, Lobbying, etc.
  – Further examples are at attachment A and Section J of A-21
• Procedures to identify when incurred
  – Account Code Suffix “U” (examples at attachment B)
  – Separate fund established for unallowable activity
University Policy 3255 - Cost Transfers on Sponsored Projects

- “Any cost allocable to a particular sponsored agreement…may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations”

- Cost Overrun Transfers
  - Transferred to a Departmental Fund
  - Clearly identified and approved by both the Office of Sponsored Programs and the Controller’s Office
Expenditure and retroactive salary transfers to/from sponsored projects must be recorded within **90 days** of initial charge.

Transfers to closely related projects:
- Proper and allowable charge to receiving project
- Full explanation must accompany transfer
- PI certifies funds involve closely related work
- Reviewed and approved by Office of Sponsored Programs
• Retroactive salary transfers must be made using Form P-10, Change and/or extend funding
• IF salary allocations on PAR are incorrect, do not certify PAR, return it with supporting documentation (Form P-10) to OSP-- a revised PAR will be issued for certification
• NO CHANGES may be made to salaried or graduate personnel pay allocations after the PAR has been certified
• Changes made after PAR certification could result in costs being disallowed by the sponsor and delays in project closeout
University Policy 3250 - Service Centers

- Established to provide goods and services primarily to University
- **Cost Based** rates set to achieve breakeven over long run
- All costs of goods and services must be recorded in center’s funds
- **All** users of the center must be charged using approved rates
- **Deficits or surpluses from center operations must be carried forward as an adjustment to future billing rates**

*Controller’s Office*
Summary

• Changes are necessary
• Direct charging normally Indirect Costs (such as clerical salaries, office supplies, postage, phone & data lines, memberships, etc.) is NOT appropriate unless exceptional circumstances have been substantiated in writing and approved by the Office of Sponsored Programs
• Office of Inspector General is performing field audits at universities and will get to Virginia Tech in near future
Overhead recoveries and departmental operating funds should be used to fund normally Indirect (F&A) Costs such as clerical salaries, office supplies, postage charges, local phone/data line/modem connection charges, and memberships.

Principal Investigators are ultimately responsible for their project. If a project is found not to be in compliance with cost accounting standards, unallowable expenditures will be transferred to the department’s overhead fund.
Summary (Continued)

- Why Compliance is Necessary
  - Non Compliance
    - Puts future Federal Funding at Risk
    - Potential reimbursement of past unallowable costs charged to Sponsored Projects
    - Negative impact on F&A rate negotiations and F&A overhead recoveries
Virginia Tech

2009 Overhead Recovery Rate

- Building Depreciation: 3.76%
- Equipment Use Allowance: 4.30%
- Operations & Maintenance: 18.48%
- Interest: 3.26%
- Utility Cost Adjustment: 1.30%
- Library: 1.39%
- Administration: 26.00%
- Total: 58.50%

Controller’s Office
Virginia Tech
2009 Recovered Overhead Distribution

- State: 30%
- Administration: 9%
- Central Capital: 21%
- College: 40%
- Total: 100%

Controller’s Office