

COST ACCOUNTING STANDARDS



AND UNIVERSITY POLICIES

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


OMB Circular A-21

- 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

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- 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

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- 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

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

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

University Policy 3240 (continued)

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

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

University Policy 3255 (continued)

- 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


University Policy 3255 (continued)

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- 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**

Summary

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- 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

Summary (Continued)



- 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.

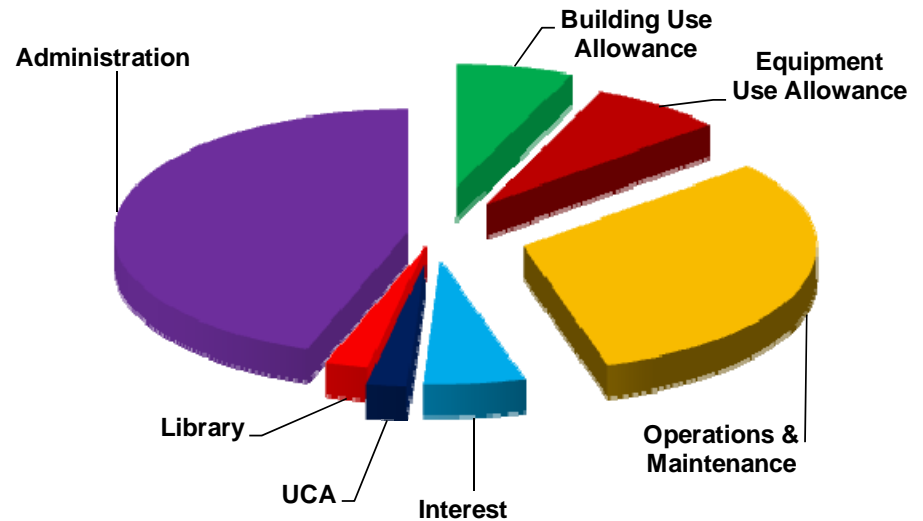
Summary *(Continued)*



- 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

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%
- 58.50%



2009 Recovered Overhead Distribution



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

