February 2013 COGR Meeting Thursday Morning Presentation - Cynthia Hope/Jim Luther

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Agenda - Subchapter F: Cost Principles

• Background and Overview
• Good, Bad, Unknown
• Compensation – Personal Services
• F&A
Background and Overview

• Cost Principles – Subchapter F (Pages 72 -135)
  – General themes
    • Allocability, Reasonableness, Consistency remains
  – Terminology Inconsistency:
    • Grants, coop agreements, contracts, etc.
    • Non-profit, Educational Universities, etc.
• Eliminated for grants/cooperative agreements (not clear on contracts)
  • Appendix A - CASB's Cost Accounting Standards
  • Appendix B - CASB's Disclosure Statement (DS 2)
• Computers: non-capital computers can be direct charged if allocable; does not need to be “solely dedicated” (Pg123/C-31)
• Travel Cost: Temporary dependent care costs – allowable but must be consistent & only for the time period of travel, etc. (Pg134/C-53(C))
Bad

• MTDC Exclusions: Awarding agency can make determination (Pg83/616e)

• Eliminated (C4): Where the purchase of equipment... under a sponsored agreement, the amounts thus authorized for such purchases are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment ...
Eliminated: “The dual role of students engaged in research and the resulting benefits to sponsored agreements are fundamental to the research effort...”

Direct Charge of Admin and Clerical Personnel (Pg79/615(d))
- Removed “Major Project” and “greater than routine level” but retained “explicitly included in the budget”

Meetings: Allowable if “purpose is the dissemination of technical information beyond the recipient entity” (Pg123/C-32)

Unused Materials or Supplies: residual inventory (including computers) <$5k may be retained (Pg123/C-31(6))

Sponsor use of negotiated F&A rates: Inconsistency as to whether OMB must approve (Pg24/204(B)) and Pg80/616(1))

Equipment definition now includes Software Costs: useful life >1 year and exceeds the lesser of cap level or $5k (Pg109/C18(B)))
Compensation – Personal Services

- Compensation – Personal Services (OMB A-21 J.10 moved to C10 (page 89))
  - Inconsistent “nods” to previous responses and OIGs
- Related and Incidental Activities:
  - Added language to allow for “developing and maintaining protocols...managing substances...managing project-specific data (Pg90)
- Eliminated:
  - J.10.c(1)f: requirement for “independent internal evaluation”
  - Examples of Acceptable Methods for Payroll Distribution
- “Extra Service Pay” (Pg91/8(b))
  - Requires definition of full time “workload” (Pg91/8(b)(2))
Standards for Documentation of Personnel Expenses (Pg93/(9))
- “Effort certification”
- Employees working solely on one award require semiannual certification (Pg93/(9)(B))
- “Certified reports”...
  - “Reports may be integrated with or separate from the payroll distribution system; where integrated, duplication of records should not be necessary.” (Pg93/(9)(C))
- Significant changes identified in a timely manner...short-term fluctuations (one to two months) need not be considered...
- If based on budgets, “Distribution percentages are revised at least quarterly” - what documentation needed?
F&A Costs Identification and Assignment

• Rate extensions: rates can be extended for up to 4 years (Pg83/616(e))
  – No clarity on type of rate extension
• Indirect cost rate: Institutions can use 10% rate without rate calculation for up to 4 years (Pg83)(616(e))
• Utility Cost Adjustment / Special Cost Studies
  – Eliminated but research space can be weighted with “effective square footage” with relative utilization index or sub-building metering (Pg 200/IV(B)c)
F&A Costs Identification and Assignment

• Eliminated
  – Lease-purchase analysis (J.26b(1))
  – Documentation to support use of reimbursed depreciation
  – “Institutions should not change their accounting or cost allocation methods... if the effect is to: (i) change the charging of a particular type of cost from F&A to direct, ...” (G.8(d))

• Negotiation and approval of indirect rates:
  – “Determinations should include a description of any adjustments, the actual amount, both dollar and percentage adjusted, and the reason for making adjustments”