Advanced Studies in Cost Accounting (CAS)

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Course Objectives

- Briefly review what we covered in Costing Basics
- Practice!
- Practice!
- Practice!

Advanced Studies
In Cost Accounting Standards

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Costing Basics

Learning Objectives

- What makes a cost 'allowable' to a sponsored project?
- What makes that same allowable cost - 'allocable' to a sponsored project?
- What is the name of the costing circular for Educational Institutions on which we base our costing practices and decisions?
- Give some examples of Direct costs.
- Give some examples of Facilities & Administrative (F&A)/Indirect costs.
Pre-Session Discussion and Our Learning Objectives

- What makes Direct and F&A cost different?
- Do you know how the institution arrives at the F&A rates?
- Are you familiar with Transaction Controls and how they are managed?
- What is Cost Share?
- What do you consider in selecting an Expenditure Type to charge?
- Can you converse comfortably with your faculty/staff on costing matters?

Definition: Direct Costs
- Budgeted/charged to specific direct cost categories
- Allocable and identifiable to a single project
- Reasonably supports the technical goals/objectives/outcomes of the project
- Identification is made with relative ease and a high degree of accuracy
- Examples include: PI and research assistant salary, travel, equipment, subcontractors, lab supplies, etc.

Definition: F&A Costs
- Budgeted/charged to F&A cost category
- Benefit common objectives
- Cannot be allocated to a single project with relative ease and a high degree of accuracy
- Included in the University’s F&A cost rate proposal and negotiation
- Examples include: utilities, building maintenance, landscaping, payroll, procurement and other central office salaries, the Sticky 6, etc.
To be considered DIRECT the cost must be:

- **Absorbed**: A cost must be absorbed under both the provisions of 2 CFR 200 (OMB Circular A-21), Section J and the terms of the particular award.
- **Reasonable**: An expense must be reasonable; in that a “prudent person” would have paid the stated amount for the expenditure and what would have been charged and budgeted as a separate expense would have been charged in the same manner.
- **Allocable**: All costs incurred for the same program, if the circumstances, are either to be treated as direct or indirect.

**Direct Charging of Items That Are Normally Considered F&A When Circumstances are Not ‘Like’**

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**The STICKY SIX:**

1)  
2)  
3)  
4)  
5)  
6)
In order to lift or “Unlock” a Transaction Control a supporting **Cost Accounting Standards (CAS) Exception Request Form** must be submitted and approved. This form provides a justification for costing exceptions and differences by specific project (PTAO).

**UNLOCKING TRANSACTION CONTROLS**

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**WHEN & HOW DO I ENTER THE COST ACCOUNTING EXCEPTIONS?**

- **UNLOCKING TRANSACTION CONTROLS**
  - **WHEN & HOW DO I ENTER THE COST ACCOUNTING EXCEPTIONS?**
- **Positions That Will Not Help in Documenting ‘Unlike Circumstances’**
  - The Sponsor will not pay F&A
    - Counter Point:
  - Sponsor is willing to pay for this item as a direct charge
    - Counter Point:
  - We really ‘need’ (fill in the blank)....
    - Counter Point:
  - F&A recoveries are not returned to me or my Department so I am not double billing the sponsor
    - Counter Point:
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**CAS Documentation Statements That Alone Are Not Enough**

6. The cost item is needed for the research at hand or to meet the aims of the research
6. The cost item was previously budgeted and approved by the Sponsor
6. The item will be solely dedicated to research
6. The cost directly benefits the technical goals
6. The item will allow greater flexibility for the work to occur and meet technical goals
6. The item will ensure safety and provide conveniences in communication for research personnel

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**Activity 1-Determining Costs**

Determine Unallowable, Direct, or F&A according to describing how you think that cost is **NORMALLY** charged to sponsored awards.

Assume these awards are subject to CFR2 Part 220 and thus CAS.

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**Activity 2 -Group Case Studies**
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Case Study #1

Your PI asks his lab tech to stop by an office supply store on his way to work and pick up a few items. He also asks the tech to get some donuts for a lab meeting that morning. When you arrive at work, the tech hands you the receipts and says all the items should be charged to his NASA grant, PTAO 140579.101.GP10101.xxxxx

Case #1 – what are the issues

- **Allowability** – Food in this context could be construed as entertainment; office supplies not “unallowable” (remember that this applies to the F&A rate negotiation too). Meals are allowable when
  - Provided by conference grant (for meetings supported by the grant) with a couple of exceptions (R12 and U13)
  - Provided to subjects or patients under study provided these charges aren't included in participant’s per diem or subsistence allowances, if any
  - Such costs are specifically approved as part of the project activity in the notice of award.
More issues related to Case Study #1

**Allocation** – if the office supplies are not specifically allocable to the grant and are not extensive in nature, they are considered general office supplies and shouldn’t be a direct cost to the grant PTAO. Would also be blocked by transaction controls when the reimbursement was made. Lab meeting costs are considered cost of the research business and therefore are F&A.

**Consistency** – Lab meeting costs Remember – recurring business meetings, such as staff meetings, are generally not considered meetings to disseminate technical information and Office supplies are typically F&A.

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Case Study #2 – what are the issues

- **Allowability** – Equipment is allowable cost, so that’s not really the issue here.
- **Allocation** – The big problem here is that there is no attempt to match the charges with the projects that will benefit from the charge. Even if there’s not enough money, a determination should be made of the benefit. If not enough in the account, the balance of the portion allocable to the social networking PTAO should be charged to a non-sponsored source as.
- **Consistency** – Equipment is typically considered a direct charge, although some sponsors/projects prohibit it.
Case Study #3

Dr. Cureall has a Foundation Grant from The Smith Foundation to study a new enzyme that may be useful in cancer treatment. This is part of the Smith Foundation’s dissemination of a large NIH award received last year.

Dr. Cureall wants to provide books to his graduate students on the topic of enzymatic therapy in cancer care. His justification is that it will take too long to request these books from the library and therefore the cost should be borne by the Smith Foundation grant.

Case Study #1 – what are the issues

- **Allowability** – Equipment is allowable cost, so that’s not really the issue here.
- **Allocation** – The big problem here is that there is no attempt to match the charges with the projects that will benefit from the charge. Even if there’s not enough money, a determination should be made of the benefit. If not enough in the account, the balance of the portion allocable to the social networking PTAO should be charged to a non-sponsored source as ____ ____.
- **Consistency** – Equipment is typically considered a direct charge, although some sponsors/projects prohibit it.

Case Study #3 – what are the issues?

- **Consistency** – treat similar costs the same in like circumstances – direct or f&a
- **Any others?**
Case Study #4

Dr. Sharpstuff has been awarded a conference grant by the Department of Education to train teachers in new observation techniques to be used to identify children at risk for language difficulties.

The Purchaser for Dr. Sharpstuff’s department has put through a Purchase order of $15,000 for catering of 4 conference events budgeted in the proposal.

Case Study #4 – what are the issues?

Sometimes, things CAN be straightforward!

Might check and make sure the # of participants budgeted in the $15,000 is a reasonable number given the large cost.

Case Study #5

Your PI says he needs a new set of sharpies in the lab. He wants you to allocate them across all 4 of his projects equally.

He also asks you to charge the new laptop, external hard drive, and printer paper to one project. He assures you that this is the ONLY project benefiting from these items.
Case Study #5 – what are the issues?

- Allocability – “ease and accuracy” - sharps?
- Consistency – unlike circumstance required to charge office supplies directly
- Others?
- How would you handle each item?

Key Elements of Sound Documentation of Costs:
- Tell a Story
- Quantify the Circumstance ($, #, %)
- Be Complete
- Be Adequate
- Be Timely
- Be in Support of Other Documents
- Be Available Upon Request

Key Points in the Decision Making Process:
- Consult and understand all applicable terms and conditions (regulations, laws, UVa practices, etc)
- Be clear on PURPOSE of the funds awarded vs. NEED for infrastructure items/items the sponsor would typically expect us to have to do business
- Make judgments on any questionable costs based upon key definitions (direct – allowable – reasonable – allocable)
- Document your decisions and when necessary, complete required UVa documentation ensuring written justification/approval of the decision

Provides for: 1) a sound budget and 2) support of what are considered by the Institution as allowable costs
Talking with the PI About Costing Decisions

Be prepared to discuss F&A costs:

- Partial recovery for costs that have already been incurred by the University
- Not an imputed tax for doing research – Supportable costs from University and Departmental funds
- Quote A-21; F.6(b) when necessary

Need for infrastructure items, versus purpose of the award funding

When discussing potential "gray" costs ask, what technical objectives could not be accomplished without those costs being incurred

Talk about usage and allocation (with every cost)

Be sympathetic to reality… but separate funding issues from issues surrounding what costs can be charged to a project

Even the smallest charge can become a significant audit finding if charged inaccurately

Documentation of ‘unlike circumstances’ should be easy to achieve
Finding in audit report would read that the University was not in compliance with Circular A-21 or the approved DS-2 in the direct charging of costs to Federal awards.

Auditors would perform ‘judgmental’ sampling on select high risk costs.

Any findings would be noted and extrapolated over the entire research expenditure base.

Finding in audit report would read that the University was not in compliance with Circular A-21 or the approved DS-2 in the direct charging of costs to Federal awards.

External Reviews: A Successful Experience

Knowledge and application of sponsor regulations and University policies/procedures

Documentation for charges

Appropriate reviews/approvals

Clear and complete audit trails

Organized and complete project files

Making sure the right people have input on decisions

Audit Findings - References

NSF OIG: https://www.nsf.gov/oig/pubs.jsp
DHHS OIG: https://oig.hhs.gov/reports-and-publications/oas/nih.asp

Florida State:
Activity 3

Would you approve these CAS forms as submitted? If not, what else would you want to know, or would you deny them?