How Do We Know What We Can Do?

Policy

Law

Practices
Order of Precedence

- Award
- Special Conditions
- Program Rules
- Agency Rules
- OMB Circulars
Allowable costs are:

- **Reasonable** *(OMB Circular A-21 C.3.)*

- Prudent person test
- Necessary for the performance of the project
- Consistent with established University practices
Allowable Costs are,

- **Allocable** *(OMB Circular A-21 C.4.)*
  - Chargeable based on relative benefit received
  - Proportional benefit
  - Costs of one project may not be shifted to another
Allowable Costs are not “unallowable”

- **Unallowable costs** are not eligible for Federal reimbursement either directly or indirectly (A-21, J.1.-54)
- Unallowable Activities
  - Fundraising
  - Lobbying
- Unallowable Transactions
  - Alcoholic Beverages
  - Fines & Penalties

$$\text{Unallowable}$$
Allowable Costs are,

Documented to follow all policies and procedures

- **Procurement Standards** (*OMB Circular A-110, C.40-48*)
  - Codes of conduct/conflict of interest (C.42)
  - Competition (C.43)
  - Procurement Procedures and Records (C.44-46)
  - Contract administration and provisions (C.47-48)

What do you really need to know? Follow UA policies and procedures!!!
[http://accountspayable.ua.edu/pages/policies.html](http://accountspayable.ua.edu/pages/policies.html)
Allowable Costs are, 

Treated consistently 

- **Consistency** in Allocating costs incurred for the same purpose *(A-21 C.2.(c) and C.11.)*

- Direct costs vs. F&A (Indirect) costs

“All costs incurred for the same purpose, in like circumstances, are either direct costs only or F&A costs only with respect to final cost objectives.”
Office supplies, postage, local telephone costs & memberships shall normally be treated as F&A costs (OMB Circular A-21, F.6.b.(3))

Exceptions ONLY for different purpose/circumstances
Allowable Costs are,

Treated consistently

- Salaries of administrative or clerical staff ONLY allowed as a direct charge for major project (OMB Circular A-21, F. 6.b.(2))

Major project = A project which requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. (A-21, F.6.b.(2))

EXAMPLES where direct charging of admin and clerical may be appropriate (A-21 Exhibit C)
But what if it is in the approved budget?

“The fact that a cost requested in a budget is awarded, as requested, does not ensure a determination of allowability. The organization is responsible for presenting costs consistently and must not include costs associated with their F&A rate as direct costs.”

- NIH Grants Policy Statement
Why do they care?

Research Rate – Simplified F&A Calculation

**Numerator Expenses**

**Allocations to Research from:**
- Library
- Building Depreciation
- Operation & Maintenance (Utilities)
- General Administration (Payroll)
- Department Administration (Dean, Business Mgr.)
- Sponsored Projects Administration

= **F&A Rate**

**Denominator Expenses**

**MTDC of:**
- Sponsored Research Agreements
- University Research
- Cost Sharing/Matching on Research Agreements
Are changes coming?

Yes but,

- **Goal** for publication of final guidance is December 2013
  - We will not see another version until then
- Hundreds of comments received and analyzed after Proposed Guidance published
- Proposed Guidance included:
  - Continued focus on “consistency”
  - Continued requirement for “certification” of salary
Questions?  http://osp.ua.edu/contract_grantaccounting.html

Contract and Grant Accounting's mission is to support and assist University of Alabama Faculty and Staff involved in sponsored agreements in ensuring the University's financial transactions comply with fiscal and reporting requirements as established by Federal and State law, agency regulations, University policies and procedures and GAAP.

Do you have questions about your grant? Unsure what to do next? Your first line of defense is to contact your Accountant. They can steer you in the right direction. Click here for a directory listing by Agency.
Thank you!

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