

Number: PPD - 0223
Subject: Accounting for Allowable and Unallowable Direct Costs

Office of Sponsored Programs

DEFINITIONS

Direct costs are expenditures that can be identified and allocated to a specific sponsored program fund. For federal awards and sub-awards, these costs must meet the definitions and requirements outlined in 2 CFR 200, Subpart E which issues guidance on items of costs. To be allowed (2 CFR 200.403 – 200.405) as a direct cost item the following considerations should be given:

Allowable – The goods or services in question must be allowable under university, state and federal criteria and be necessary to the overall completion of the federal award.

Allocable – The goods or services in question are assignable to the specific Federal award and distributed in proportions that are approximated using reasonable methods in accordance with relative benefits received.

Reasonable – The cost goods and services must not exceed that which would be considered prudent under normal circumstances at the time the decision is made.

For non-federal awards, proposed expenditures will be evaluated to ensure compliance with award guidelines.

All direct costs are also reviewed for compliance with university and state regulations. The most important factor in the review process is confirmation that direct expenditures posted to the fund must provide direct benefit to the approved scope of work.

Indirect costs or Facilities and Administrative Costs (F&A) are those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Unallowable Costs are those found during review to be inappropriate for charging to the sponsored project in question.

Disallowed Cost are those that have been posted to a sponsored programs fund/index but are found to be noncompliant with the requirements for an allowable cost.

Cost Transfer is a financial transaction completed, using a journal voucher, to move previously posted expenditures from the incorrect fund/index to an appropriate or correct fund/index in accordance with federal, state and university guidelines.

POLICY

It is the policy of the Virginia Institute of Marine Science that all expenditures against externally sponsored programs will be reviewed and approved by the Principal Investigator (PI) and Sponsored Programs Administrator prior to posting of the charge to the established fund/index. The PI will review for applicability to the subject project. The Administrators will review for compliance with the terms and conditions of the specific award and consider whether the proposed charges are allowable, allocable, and reasonable. The availability of funds will also be confirmed by the Administrator. Further, it is VIMS policy that purchase requests for expenditures identified as unallowable on a grant or contract will be either cancelled, charged to the appropriate sponsored project (if applicable), or charge to an appropriate non-sponsored project fund/index.

Unallowable costs, found after posting, will be transferred immediately to an appropriate non-sponsored project fund/index. In accordance with 2 CFR 200, “Where unallowable costs have been claimed and reimbursed, they will be refunded to the program that reimbursed the unallowable cost using one of the following methods: (a) a cash refund, (b) offset to a subsequent claim, or (c) credits to the amounts charged to individual Federal awards.”

PROCEDURES

Personnel costs

VIMS will use the Banner Human Resources System to properly distribute labor costs against all sponsored project awards. The PI will communicate to the Department Business Administrator the names and amount of effort of all personnel assigned to the sponsored project. The Department Business Administrator will use the Position Funding Worksheet (see attachment A) to schedule personnel effort and the Redistribution of Labor Charges (see attachment B) to make any adjustments in personnel effort to the sponsored project. Approvals will include Department Business Manager, Sponsored Programs Administrator and the Executive Budget Administrator. PI approval is required on Time and Effort Certifications generated quarterly from the Banner Human Resources System certifying the amount of personnel effort was actually spent on the sponsored project award and additional OSP approval is required when a PI indicates a needed change on Effort Certifications.

Purchases (supplies, materials, equipment, etc.)

VIMS will use eVA, the state’s online purchasing tool, to secure appropriate approvals for purchases against all sponsored project awards. Approvals will include the Principal Investigator (or his/her designee) and the assigned Sponsored Programs Administrator. The administrator will review the purchase request for compliance with funding agency guidelines, award terms and conditions, university purchasing requirements and available funding. Once compliance is confirmed, the administrator will electronically approve the request to be routed back to the department purchasing agent.

Travel

VIMS will use a travel authorization form to document the intended travel and secure appropriate approvals for travel on all sponsored research awards. Approvals will included the Principal Investigator (or his/her designee) and the assigned Sponsored Programs Administrator. The administrator will review the travel for compliance with funding agency guidelines, award terms and conditions, University Travel Regulations and available funding. Once compliance is confirmed, the administrator will sign the travel authorization form and return it to the Department Business administrator for processing.

In-house Service Center costs

VIMS in-house service centers (Field Operations, Facilities, Print and Publications, Vehicles, Analytical Services) will provide at least monthly a spreadsheet of charges, for services rendered, against sponsored research funds/indexes. The Administrator will review the spreadsheet for compliance with funding agency guidelines, award terms and conditions, and available funding. Once compliance is confirmed, the administrator will sign and date the spreadsheet and forward to the Institutional Accountant for processing of the Journal Voucher to post the charges to individual indexes.

Indirect or Facilities and Administrative Costs

VIMS will use the negotiated indirect cost rate in effect on the sponsored project award start date, unless a reduced rate was approved by VIMS and the awarding agency. The Sponsored Programs Administrator will verify the correct rate is in Banner, monitor the accuracy of the amounts posted and make any necessary corrections.

Unallowable Costs that have been reimbursed

Unallowable costs that have been reimbursed by the funding agency must be reimbursed to the agency or program by:

Cash Refund – Grant Payment Refund Procedure

Objective: Refund payment received in excess of allowable costs.

1. Correct Billing (If excess payment was received because of incorrect billing, if not, skip to step 2)
 - a. FRAUNAP – un-apply payments to bills that need to be reversed.
 - b. FRRBREV – reverse bills (all bills posted since the bill containing the disallowed cost)
 - c. FRAEVGA – update the billing schedule as necessary
 - d. FRRBILL – re-bill with corrected amounts.
2. Request a payment refund in Research Accounting Module of Banner
 - a. Write a memo to cashier to request refund. (See attachment C for sample memo.)
 - b. The cashier will follow these procedures to process the refund in Banner:
 - i. FRAAREV – using detail code GRFD (Grant Refund) enter negative amount in the payment column.
 - ii. Memo must supply the fund code and it should match the payment fund code in billing information on FRAGRNT.
 - iii. After cashier closes the session and overnight processes run, the refund amount will be transferred to fund 1H1000 (Grant Payment Holding), account 270055 (Grant Payment Holding).
3. Request a refund check be issued to the agency - write a memo to Accounts Payable requesting a refund check be cut and mailed to funding agency. (see attachment B for sample memo.)

Offset to a subsequent claim – reduce future invoice or drawdown

In the event an unallowable cost is discovered and transferred from a grant, subsequent invoices or drawdowns from the grant's funding agency will be adjusted (decreased) by the amount of a previous invoice for that cost.

Credit to the amounts charged to individual federal awards - Grant Payment Transfer Procedure

Objective: Transfer agency payment from one grant to another within same agency.

1. Correct Billing in Banner (if bills were posted in Banner incorrectly due to disallowed costs)
 - a. FRAUNAP – un-apply payments to any bills that need to be reversed.
 - b. FRRBREV – reverse bills (all bills posted since the bill containing the disallowed cost)
 - c. FRAEVGA – update the billing schedule as necessary
 - d. FRRBILL – re-bill with corrected amounts.
2. Request a payment transfer in the Research Accounting Module of Banner
 - a. Write a memo to cashier to request transfer (see attachment C for a sample memo)
 - b. The Cashier will follow these procedures to process the transfer:
 - i. FRAAREV – Cashier will use detail code GTRF (Grant Transfer) and enter negative amount in the payment column of the grant the payment is being transferred from and positive amount in the payment column of the grant the payment is being transferred to.
 - ii. The memo must supply the fund code and it must match the fund code used in billing information on FRAGRNT.
 - iii. After cashier closes session and overnight processes run, the amount will be transferred between the two grants in question.

Effective Date: 1 July, 2015

ATTACHMENT B

VIRGINIA INSTITUTE OF MARINE SCIENCE									
REDISTRIBUTION OF LABOR CHARGES									
EMPLOYEE NAME		John Doe			POSITION NUMBER			00011V	
BANNER ID		930000001							
REDISTRIBUTION OF ORIGINAL DISTRIBUTIONS:									
Banner Index	Salary Account	New Pay Period Distributions Center (Payrol ID & Number in Each Column)							
		Payroll: SV 1							
1	123714	611230	100%						
2									
3									
4									
5									
6									
7									
8									
9									
		Total	100%						
FIND AND REPLACE									
Payroll ID & Number:		Find Index:			Replace with Index:				
1	SV 1	122000			123714				
2									
3									
4									
5									
6									
REVIEWS: DEPT. BUDGET MANAGER									
SPONSORED PROGRAMS									
BUDGET OFFICE									
This document adjusts previous payroll posting(s). Formal approval of payroll distribution is provided by the quarterly payroll certification form.									

ATTACHMENT C

June 19, 2015

TO: _____ **Cashier**

VIA: _____ **Director of Sponsored Programs**

FROM: _____ **Sponsored Programs Administrator**

SUBJECT: _____ **Refund of Payment to Agency**

Due to the discovery of unallowable costs, VIMS has been overpaid in the amount of \$199.85 for expenditures on grant V717580, index 777581 from the Virginia Marine Resources Commission.

In order to return this money to the agency, please process a refund (GRFD) on the Research Accounting Payment Entry screen (FRAAREV) in Banner.

By separate memo, I will request that Accounts Payable issue a check to the granting agency.

Thank you for your assistance. Please let me know if you have any questions.

ATTACHMENT D

June 19, 2015

TO: Accounts Payable

VIA: Director of Sponsored Programs

FROM: Sponsored Programs Administrator

SUBJECT: Refund of Payment to Agency

VIMS is in receipt of overpayment in the amount of \$199.85 for expenditures on grant V717580, index 777581 from the Virginia Marine Resources Commission.

In order to return this money to the agency, please issue a check to the granting agency:

Agency: Virginia Marine Resources Commission

Banner ID: 930321715

Address: Virginia Marine Resources Commission
Attn: Terri Short
2600 Washington Ave.
Newport News, VA 23607

Please reference: "Contract No. F-104-R-18, Dr. M. Fabrizio - Principal Investigator"

Fund: 1H1000

Account: 270000

Thank you for your assistance. Please let me know if you have any questions.

ATTACHMENT E

June 19, 2015

TO: Cashier

FROM: Sponsored Programs Administrator

VIA: Director of Sponsored Programs

SUBJECT: Grant Payment Transfer

The discovery of unallowable costs on Grant V717460 has caused the overpayment of \$9,803.80 from the National Science Foundation on that grant. I have coordinated payment transfer with the NSF from Grant V717460 to Grant V716950 for reimbursement of allowable costs per 2 CFR 200. In order to correct the cash distribution in Banner, I am requesting that the \$9,803.80 be transferred on FRAAREV as follows:

Grant #V717640/Fund 260400: Detail Code: GTRF; Amount: -\$9,803.80

Grant #V716950/Fund 260400: Detail Code: GTRF; Amount: \$9,803.80

If you have any questions, or need any additional information please give me a call.

ATTACHMENT F - Unallowable Costs on Federal Grant Awards

The following list is for general purposes only. All costs applied to sponsored research funds/indexes should pass the test of being reasonable, allowable, allocable, and consistently treated and **must receive approval from OSP prior to purchase**. Please check with the Office of Sponsored Programs if you have an exception to the rule.

- ❖ Advertising and public relations costs (*except in the case of recruitment for a position necessitated by the grant or public promotion of the grant activities*).
- ❖ Alcoholic beverages
- ❖ Alumni activities
- ❖ Bad debt
- ❖ Capital expenditures (>\$5,000) not pre-approved by the federal awarding agency (*may become allowable through a request submitted to agency*)
- ❖ Commencement and convocation cost
- ❖ Computers and other technological devices, including cell phones, iPads, printers, etc. (*unless included in the proposal budget submitted to the federal agency*)
- ❖ Contingency provisions
- ❖ Contributions or donations, including cash, property, or services
- ❖ Costs incurred in connection with any criminal, civil, or administrative proceedings
- ❖ Entertainment costs
- ❖ Fines and penalties
- ❖ Food costs (*except for study participants or meals while traveling that follow university policy*)
- ❖ Fund raising and investment costs
- ❖ Goods or services for personal use; Housing and personal living expenses
- ❖ Lobbying costs, at any level of government
- ❖ Losses on other sponsored agreements or contracts
- ❖ Memberships and subscriptions (*except when necessitated by the grant*)
- ❖ Office supplies
- ❖ Payroll for university employees not engaged in grant activity
- ❖ Payroll in disproportionate amounts to the work performed on the grant (*example: a researcher working 50% time on a research project may not receive more than 50% of pay from that award*)
- ❖ Postage (*included in F&A, exception can be made if large mailing is necessitated by the grant*)
- ❖ Professional service costs when work can be performed by a qualified university personnel
- ❖ Proposal costs
- ❖ Recruitment and relocation costs for employees not working on the grant (*allowable for grant-funded employees; however, if employee resigns within 12 months of hire, recruitment and relocation charges must be moved off the grant*)
- ❖ Selling and marketing costs
- ❖ Student activity costs (*unless specifically provided for in the grant award*)
- ❖ Telephone charges for local calls (*long distance charges for specifically grant related are allowable*)