Budget Development

Stephen F. Austin State University
Office of Research and Sponsored Programs
3/28/17 and 4/4/17
• Regulatory concerns
• Federal Cost Principles
• Typical Cost Categories
• Budget steps
REGULATORY CONCERNS
Order of Precedent

Most restrictive always applies

SFASU
Policies & Procedures

Award Program
Agency Terms & Conditions

2 CFR 200
State and Other Federal Law
Federal Office of Management and Budget (OMB)

- Uniform guidance (2 CFR 200) cost principles for educational institutions in Subpart C
- Cost principles should be applied consistently no matter the source of funds (*no separate rules for state funds vs federal funds*)

*State of Texas Uniform Grant Management Standards (UGMS) currently being updated to reflect 2 CFR 200*
AUDITS

Concerned with the following:

- Followed written procedures
- Documentation, documentation, documentation
- Followed approved budget
- Received pre-approval for any budget changes (as required by sponsor/regulations)
- Application, budget, grant conditions, performance, draw downs, etc. all match
Fraud, Waste and Abuse

**Fraud**

**Definition**
- Intentional deception or misrepresentation
- Deliberate misuse or misapplication of resource

**Examples**
- Falsifying time sheets
- Charging for costs that have not been incurred or are not appropriate to the grant
- Claiming personal expense as project expense
Waste

**Definition**
- Extravagant, careless, needless expenditures
- Deficient practices or system controls

**Examples**
- Engaging in unnecessary or excessive travel
- Requesting reimbursement for travel that didn’t occur
- Claiming personal expense as project expense
Abuse

Definition
- Deficient or improper behavior (prudent person test)
- Misuse of authority/position for personal financial gain

Examples
- Selecting vendors without following procedures
- Requesting grant-paid staff to perform non-related tasks
- Charging personal travel to grant
2 CFR 200.400
Subpart E
Federal Cost Principles
• Necessary, reasonable, allowable and allocable
• Consistent with policies/procedures that apply to both federally-funded and non-federally funded
• Consistent treatment
• Allocable to particular project

• According to generally accepted accounting principles (GAAP)
• Federal funds cannot be used to meet matching requirements on another federal award
• Adequate documentation
What is a reasonable cost?

2 CFR 200.404

“Does not exceed that which a prudent person would incur given the same circumstances.” Consideration given to:

- Adheres to requirements of sound business practices; state & federal laws; award terms & conditions
- Market prices for comparable goods/services
- Follow normal institution policies/procedures
What is an allocable cost?

2 CFR 200.405

“Cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance to relative benefits received.”

This standard is met if the cost:

- Is incurred specifically for the sponsored project
- Benefits both the Federal award and other work and can be distributed proportionally to benefits received
- CANNOT be charged to another project to overcome fund deficiencies, avoid restrictions imposed by Federal statute/laws/regulations
UNALLOWABLE COSTS

Costs that cannot be charged directly to a sponsored project. Vary by sponsor and by educational institution; however, some consistently unallowable costs include:

- Lobbying
- Fundraising
- Advertising for university
- Entertainment
- Employee morale costs
- Alcoholic beverages
- Bad debt
- Alumni activity
TWO OVERALL TYPES OF COSTS

Direct
Costs that can be identified specifically with a particular final cost objective with a high degree of accuracy.

Facilities & Administration
Cost incurred for common or joint objectives and cannot be identified readily and specifically with a particular project or activity.

2 CFR 200.413

2 CFR 200.414 and Appendix III
The Department of Health & Human Services (DHHS) determines SFASU’s federally negotiated indirect cost rate agreement (NICRA). The current rate is:

31% of modified total direct costs (MTDC)

*MTDC excludes equipment, participant costs, and tuition; for subawards, calculate F&A on first $25,000*

Some funders place restrictions on F&A costs, and SFASU honors these restrictions when they are a part of the funder’s written guidelines.
<table>
<thead>
<tr>
<th>Direct</th>
<th>F&amp;A</th>
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</thead>
<tbody>
<tr>
<td>• Salary for student working directly on project</td>
<td>• Accounting services</td>
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<tr>
<td>• Travel of SFASU staff for project purposes</td>
<td>• Library</td>
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<tr>
<td>• Contract services for evaluator or a presenter</td>
<td>• Utilities</td>
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<td></td>
<td>• Departmental staff who perform same services for both grant and department</td>
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<td>• Legal counsel</td>
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TYPICAL COST CATEGORIES
PERSONNEL
2 CFR 200.430

Current SFASU employees or those hired as SFASU employees for the project.

Types of personnel:
• Faculty
• Graduate students
• Administrative assistants*
• Evaluators (internal)
• Technology staff

* See slide “Office Supplies: Direct or F&A Costs”
Sponsors typically expect the following detail for each person who will work on the project:

- **Title or job type** administrative assistant or support staff
- **Amount of time** (percent of effort) person will devote to project
- **Name of Project Investigator (PI)** others listed by positions; subaward PIs are typically also listed by name

Contact Human Resources for paperwork & procedures related to hiring new positions.

*NOTE: Some sponsors combine payroll and fringe. Some label personnel payments as stipends.*
• An employee paid 100% from a project is ONLY allowed to work on that project.
• An employee paid 50% on project A, 25% from project B and 25% from a departmental fund must ensure work is reasonably split according to those percentages.
FACULTY

• **Regular SFASU commitment:** Many projects fall under a faculty member’s normal duties of teaching/research/service

• **Reassigned time:** Refer to SFA Policy 12.1, Compensation from Grants, Contracts and Other Sponsored Agreements

• **Summer salary:** Full or partial salary for faculty who will work on the project in the summer

• **Additional Compensation:** Refer to SFA Policy 12.1
  
  *In rare instances, faculty may be eligible for additional compensation for either interdepartmental consulting or discrete short-term tasks. Compensation rate is based on faculty’s hourly rate for a set number of hours. A Project Investigator/Project Director is not eligible for additional compensation.*

**NOTE:** All personnel commitments are approved by respective chair and dean. Human Resources reviews all new positions.
Compensation from Grants, Contracts and Other Sponsored Agreements (*SFASU Policy 12.1*)

For purposes of compensation from grants, contracts, and other sponsored agreements (paid or cost-shared), a normal three-credit hour course taught during the fall or spring semester is equivalent to 25% effort (or 0.25 FTE); 20% is normally devoted to instruction and 5% is normally devoted to institutional responsibilities outside of instruction.
CALCULATING FACULTY REASSIGNED TIME

General calculation guidance

- Faculty member teaches 4 undergraduate courses a semester:
  - Smaller projects, may request release time in increments of 5% up to 20%
  - Larger projects, may request release time from an entire class at 20% or 25% per class

- Faculty member teaches 3 graduate courses a semester:
  - Smaller projects, may request release time in increments of 5% up to 20%
  - Larger projects, may request release from an entire class at 27% or 32% per class
FRINGE BENEFITS

2 CFR 200.431

SFASU incurs the following fringe benefits costs which are charged proportionally to projects:

- Health insurance
- Retirement
- FICA/Medicare
- Unemployment insurance
- Worker’s Compensation

FY17 fringe rates (always check with ORSP):

- Faculty & staff
  - 30% of salary
- No health insurance/Additional Compensation
  - 16.45% of salary
- Retirees and casual
  - 9.65% of salary
- Graduate students
  - 2% of salary*
- Student assistants
  - 2% of salary

*Grad students may elect to take health insurance. SFASU covers ½ of the cost which is currently $288.27 per month.
CONTRACTORS
2 CFR 200.459
Any outside entity, company, organization and non-SFASU employee; can only be paid via contract

Consultants
- Provide expertise for a fixed period of time
- Consulting fee (*travel costs can be absorbed in fee or detailed separately*)

Sponsor Budget
- Sponsor may require name, number of work days, rate of pay, and qualifications

Other professional services
- Evaluator
- Web page developer
- Workshop presenter or guest lecturer

Sponsor Budget
- Indicate type of service, number of contractors and amount
EQUIPMENT

2 CFR 200.33 and .439

Tangible property having a useful life of more than one year and per-unit acquisition cost which exceeds $5,000

Internally, known as “CAPITAL EQUIPMENT”
OTHER SFASU EQUIPMENT CATEGORIES

• CONTROLLED EQUIPMENT ($500-$4,999.99) - TVs, printers, non-digital cameras, firearms

• UNIVERSITY-CONTROLLED EQUIPMENT ($0-$4,999.99) - computers, PDAs, digital cameras

Review sponsor definitions to determine which budget category to use.
• Must be tied to specific project use *not convenience of personnel*

• Be as specific as sponsor requires
  
  *(model numbers, types, size, etc.)*

• Some sponsors may require a quote
  
  *(especially for major pieces of equipment)*

*NOTE: Some non-federal sponsors classify items as equipment while SFASU classifies as supplies.*
PARTNERS/SUBAWARDEES

2 CFR 200.92 and .330-.332

Outside agencies, universities, nonprofits, etc. who will perform major portions of the work.

• Memorandum of Agreement (MOA) outlining partner commitments may be required with submission
• Each partner submits a detailed budget to SFASU
• Partners use their own fringe benefits and F&A rates
New requirements for subawards include:

• Pre-award review: ORSP’s Subawardee Certification Form required

• Post-award monitoring: ORSP determines level of risk and includes related monitoring details in contract. PI/PD is responsible for overseeing such monitoring.
Participant support costs are direct costs for items such as stipends, travel allowances, registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.

Participant costs are not included in F&A calculation.
PAYING PARTICIPANTS

**Scholarship:** Distributed through Financial Aid. Available only to current students.

*Use appropriate Banner account code:*

775835, *research scholarship*

**Non-scholarship:** Contracts required with each participant outlining responsibilities, terms for payment and duration

*Use appropriate Banner account code:*

775991, *participant costs*

**NOTE:** Some sponsors call participant payments “stipends.”
SUPPLIES

2 CFR 200.453

Itemize expendable supplies that are assigned to the project:

- Lab supplies (chemicals, glassware, and disposables)
- Questionnaires and test materials
- Instructional materials
- Copying and printing supplies*
- Computers (if less than $5,000)*
- Office supplies (if full-time staff occupy separate project office)*

NOTE: Cannot buy in bulk and then divide between grant and department as costs cannot be appropriately allocated.

* See slide “Office Supplies: Direct or F&A Costs”
Supplies:
Direct or F&A Costs?

• Will project employ staff who work 100% of their time on the project?
• Will project have a separate office solely for project use?
• Will supplies solely and specifically benefit the project?
• If supply is used for more than one project, can costs be assigned with a high degree of accuracy?

NOTE: Same criteria determines if support staff salary is an allowable direct cost or is absorbed by SFASU as an indirect cost.
• Travel should be **reasonable** and **necessary** to the conduct and success of the proposed project
• Employee must be in official travel status
• Air travel: least expensive unrestricted accommodations class
• Fly America applies to foreign travel
• Always use the most restrictive guidelines
• Some sponsors do not allow per diem
• Some sponsors require separate approval for travel (even when included in approved budget)

Review sponsor and SFASU travel guidelines
http://www.sfasu.edu/controller/travel/index.asp
Types of travel
• Attendance at project director meeting held by sponsor
• Attendance at professional meetings to present findings
• Field work
• Local travel for interviews, outreach

Typical allowable costs
• Airfare
• Mileage
• Lodging
• Meals
• Registration
• Rental car
• Airport parking

NOTE: Sponsors typically categorize SFASU vehicle use & registration fees as travel but SFASU categorizes them as O&M
Current SFASU travel guidelines

- Personal vehicle mileage $0.40 per mile and Google Maps printout required
- Mileage for university vehicles varies
- Meals *only if* overnight travel occurs and follows allowable time periods
- Lodging and meals follow Federal per diem (*except for in-state meals which are $36/per day*)
- Foreign travel: receipts required for ALL (or can elect to be reimbursed at in-state per diem rates)
- SFASU President approval required for international travel (Canada or Mexico excluded)
- “Report of Travel to Washington DC” form
COST SHARING / MATCHING

2 CFR 200.306

Resources contributed by SFASU or a third party which are not reimbursed by sponsor

• Federal regulations do not allow agencies to use as a factor in merit review *unless* specified in funding notice opportunity; thus, SFASU does not commit to cost sharing unless it is *required* by sponsor
• Do not commit items you cannot *realistically* provide
• If a cost cannot be directly charged to the project, then it likely can’t be cost shared
• **Must be clearly documented** & **reported** to sponsor
• Items must be purchased **during** life of award
Most appropriate cost sharing categories:

- Salary and fringe benefits
- Subawards committing cost share
- Travel
- Certain SFASU lab use *if they have written, consistent fee schedules* (such as the GIS lab and the Soil, Plant & Water Analysis Lab)
- Unrecovered F&A costs when allowed by sponsor

**NOTE:** A companion internal account is setup for tracking and reporting of cost share
UNDERSTAND SPONSOR

• Focus of sponsor
  – Average award amount
  – Award range
  – Past awards

• Timeframes
  – How long can your project last?
  – When can your project start?
  – How long will it take to find out if you are funded?

• Requirements
  – Budget narrative or justification
  – Budget template/form
DEVELOP ACCURATE AND REALISTIC ESTIMATES

• Plan carefully
  – Budget must match project narrative and budget justification
• Contact ORSP early in the process
• Follow sponsor’s instructions and use required forms
• Consult other offices as needed - Human Resources, Travel, IT, Procurement, Chair/Dean/Departmental staff
• Estimate costs as accurately as possible
  – Demonstrate credibility
  – Obtain quotes when useful or required
  – Help ensure achievement of objectives
  – Decrease number of changes needed post award
• Anticipate project completion costs
  – Chemical waste disposal
  – Storage of data
  – Printing/binding of final report
• Anticipate SFASU costs and commitments, both budgeted and non-budgeted
  – Space/facilities
  – Equipment use
  – Support staff
• Anticipate cost increases over life of project
  – Salary, fringe benefits, IDC, travel, etc
• Enhance; don’t supplant
TYPICALLY CREATE TWO BUDGETS

• External
  – Follows sponsor budget categories (form)
  – Conforms to sponsor requirements
  – May have separate form

• Internal
  – Follows SFASU budget categories
  – Conforms to university requirements
  – ORSP uses several internal Excel budgets

Sometimes one budget may suffice for both external and internal purposes
OTHER COST CONCERNS

• Will expenditure be incurred during lifespan of project?
• Will expenditure be incurred during appropriate lifespan of grant?
• Will expenditure occur in adequate time to benefit grant? *90 days prior to grant end = audit flag*
ORSP CAN HELP

• Review and interpret funder guidelines
• Discuss potential budget needs
• Calculate salaries and fringe
• Cost sharing best practices
• Calculate F&A costs
• Complete required budget forms
• Edit budget narrative
• Review budget calculations
• Obtain administrative approvals
CONTACT ORSP

http://www2.sfasu.edu/orsp/index.html

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