

Major Project Determinations NCURA Region IV April 16, 2013

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Overview

- Why administrative costs are generally not allowable on Sponsored Projects
- A21 Exhibit C which allows for an exception for major programs
- Establishing criteria for Major Project Determination
- Communicating and implementing a process within your institution.

Direct Costs vs. F&A Costs

- “Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.” A-21, Section D.1.

Direct Costs vs. F&A Costs, cont.

- F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. A-21, Section E.1.
- How do we typically recover F&A?

How is F&A calculated?

$$\text{F\&A Rate} = \frac{\text{Total Facilities and Administrative Costs}}{\text{Modified Total Direct Costs}}$$

**Administrative Costs are capped at 26% for universities

Question

- Is it ever allowable to directly charge administrative costs to a federally funded project?

Unlike Circumstances

- Like Costs must be treated consistently in Like Circumstances
- “All costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only with respect to final cost objectives.”
 - CAS 9905.502, Fundamental Requirement

Unlike Circumstance

- Generally, an unlike circumstance is defined as an activity/use of a cost item which is substantially greater in amount or different in purpose than the normal use of that cost type.
 - Allocable
 - Specifically identified
 - Extraordinary need

A-21, Exhibit C

- Examples of “major project” where direct charging of administrative or clerical staff salaries may be appropriate
 - Large complex programs
 - Extensive data accumulation, analysis and entry involved
 - Travel and meeting arrangements for large numbers of people required
 - Geographically inaccessible

A-21, Exhibit C, cont.

- Principal focus us the preparation of manuals and books
- Requires project specific database management
- This is **not an exhaustive list** of examples, nor is it intended to imply that administrative costs are always allowable as direct costs in these situations.

Major Project Determination

- MU's Procedure
 - Preaward: Major Project Determination form
 - Review by Sponsored Programs, discussions with department
 - Kick off meeting
 - Agenda, preaward and postaward meet with PI to review budget and discuss expenditures
 - Postaward
 - Follow up meetings with PI quarterly to review posted expenditures

MU's Procedure and Form

- Sponsored Programs Procedure Guide Major Programs section:
http://research.missouri.edu/policies/files/osp_a_SPPG_o8_12.pdf
- Major Project Determination form:
<http://research.missouri.edu/forms/files/Major%20Project%20Direct%20Cost%20Determination%20Form%202-22-12.pdf>

Considerations

- Can the PI demonstrate how costs can be tracked (directly associated with project)?
- Is the cost necessary to carry out technical objectives?
- Is the administrative support provided above and beyond the normal support provided by the PI's department?

Risk

- Our procedure is designed to reduce risk by documenting our analysis and special circumstances
- Potential for sponsor disallowance of expenditures, therefore institution will have to cover them.
 - Duke University, \$1.7M in unallowable administrative costs from 2003-2004

Example

- Missouri Quality Initiative for Nursing
 - \$14.8M award from Centers for Medicare and Medicaid Services (CMS)
 - Administrative/Clerical Salary, Cell phones, supplies
 - Committed effort of Admin Assistant (60%) outlined in proposal budget.
 - 1,600 residents per year served in 8 nursing homes in St. Louis area
 - Reduce hospitalizations among nursing home residents and produce a nationwide model of senior care
 - Improve registration process, training and maintenance of facilities

Circular Reform

- All work that is directly allocable to one award may be charged to that award, regardless of the type of task, including administrative and clerical support.

Huron's Summary of Changes:

http://www.huronconsultinggroup.com/Insights/Analysis/Education/~media/Insights-Media-Content/PDF/Education/HE-ClientAlert_OMB_Circular.pdf

Q&A

- Questions and closing points

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