RESEARCH ADMINISTRATORS' ROUND TABLE

June 7, 2016 – Health Sciences Center
June 8, 2016 – Brooks Hall

Round Table Menu

- Budgeting Overview – *Janet Boyles*

- Recharge Centers – *Jaime Bunner*

- Sub-award Management – *John Childress*

- Wrap-up - *John Childress & Lisa Lively*

The Basics of Budget Preparation

Janet Boyles

Pre-Award Services

Office of Sponsored Programs

What is a Budget?

- A budget is a financial proposal

- A budget reflects the work proposed

- A budget is a detailed statement outlining estimated project costs to support proposed work under a grant or contract.

- Should mirror the project description

Why do Sponsors Need a Budget?

- Technical review
  - Sponsors want to know details of how funds will be used
  - Peer reviewers/program managers want to know if the costs are reasonable in relation to the proposed work
- Best practice to prepare a budget even for sponsors that accept lump sum budgets
  - Should still prepare detailed budget even if sponsor promotes lump-sum budgets (like NIH modular)
    - Sponsors may ask for details
    - Ascertain all costs for proposed work will be covered

Budget Preparation Checklist

- Sponsor guidelines
- Direct cost limit?
- F&A rate?
- Projected start date?
- How many years?
  - Determines period of performance
  - Determines salary projections
- Who will be on the project?
- What will their roles be?
- Will there be consultants? Who?

- Will there be sub-awards?
  - Where?
  - What will their F&A rate be?
  - What will their F&A costs be?
- What will need to be purchased?
  - Equipment?
  - Supplies, other materials and services?
- Travel?
  - How many people will travel?
  - For what purpose?
- Patient Care?
  - What procedures?

How to Prepare a Budget

- Read sponsor instructions, guidelines, and/or requirements
  - Certain expenses may not be allowed
  - Certain expenses may be required (travel to meetings)
  - Certain expenses may have limits
  - Budget categories and/or terminology may be different
  - Proper placement of budget costs

How to Plan a Budget

- Where do the numbers come from?

  – Actual sources, e.g. level of actual pay and benefits from the MAP/HR system.

  – Pay scales for undetermined hires

  – Historical experience for categorical costs (supplies and expenses)

  – Equipment costs may be determined by catalog or quotes from vendors

Two Primary Budget Categories

- Direct Costs –
  - Salaries
  - Fringe Benefits
  - Tuition Remission
  - Consultants
  - Equipment
  - Supplies and Materials
  - Travel
  - Sub-awards
  - Other Expenses

- Facilities and Administrative Costs (F&A)
  - Costs associated with the general operation of WVU
  - Conduct and support of WVU research activities
  - F&A rate percentage is applied to the modified total direct cost base

Direct Costs

- Incurred in the performance of the project and must be directly attributable to the project

  – Reasonable (2 CFR 200.404)

  – Allocable (2 CFR 200.405)

  – Allowable (2 CFR 200.403)

  Must be treated consistently.

Direct Cost

- Salaries

For each project participant, list the:

- – Name (or "To Be Named" for an unfilled position)
- – University payroll title
- – Nature of the position (e.g., nine month or 12 month appointment)
- – Current annual or monthly salary (summer salary for faculty with nine-month appointments should be listed as a separate line item)
- – Number of months per year and/or percentage of effort
- – Total salary requested

EXAMPLE:

- **Example A**:
  - A faculty member with a twelve-month appointment earns $65,000/year plus a salary supplement of $6,500 associated with being appointed a University Scholar. He/She anticipates spending 30% of his/her time on this project, which is scheduled to begin in the next fiscal year from now.
  - 1. Institutional Base Salary at the time of the award will be $71,500 + a 3 percent raise or $73,645: $71,500 x 1.03 = $73,645 (Salary increases should be calculated for each new fiscal year throughout the project period. Fiscal year begins in July.)
    2. Multiply the estimated Institutional Base Salary by the percentage of effort: $74,360 x 0.30 = $22,308

- **Example B:**
  - A faculty member on a 9 month appointment will be earning $45,000/year at the time of the award. He/She anticipates spending two months of the summer plus 20 percent of his/her time during the academic year on this project. (Sponsors generally expect that some time will be taken for vacation during the summer.)
  - 1. Summer salary can be calculated as ($45,000/9) x 2 = $10,000
    2. Academic year salary would still be ($45,000 x 0.2) = $9,000
    3. Salary request = $10,000 + $9,000 = $19,000

Direct Cost – Fringe Benefits

- "Fringe benefits for Full-time positions include: FICA, Retirement, Health Insurance, Workers' Compensation, Unemployment Insurance, Child Care, Terminated Annual Leave pay-out"

- Fringe Benefits are charged as a direct cost for all University personnel listed in the budget .

- Current Rates:
    - Benefits Eligible, Full-time 23.5%
    - Non-benefits eligible, Part-time 7.0%
    - Undergraduate Student 2.0%
    - Graduate Student 7.0%

Direct Costs -Supplies

- Supplies are expendable items under $5,000, specifically related to the project.

    - Items costing less than $5,000 should be included as supplies in the budget and included within the MTDC base.

    - List by specific categories of cost (e.g., chemicals, glassware, survey forms, small electronic components) with an estimate of the cost of each category.

    - Explain how estimates were derived. Historical costs can be the basis of budget estimates for ongoing projects or in cases where similar work has been performed on another project.

Direct Cost - Travel

- Reasonable travel in support of the proposed work is allowable.
  - Conferences
  - Collaborations
  - Remote facility usage
- Specify for each trip:
  - Purpose and destination (if known)
  - Number of individuals traveling
  - Mode and cost of transportation (e.g., airfare, mileage reimbursement)
  - Lodging
  - Number of days of per diem and the per diem rate

Direct Costs - Equipment

- Equipment necessary for the performance of the project is an eligible budget item if the equipment is not readily available elsewhere in the University
  - Catalogue prices or vendor quotes should be used.
  - Equipment is defined as an article of tangible, nonexpendable, personal property having a useful life of more than one year and a per unit acquisition cost of $5,000 or more. Equipment, so defined, does not bear F&A Costs.
  - Tangible, nonexpendable, personal property with a per unit cost of less than $5,000 is considered to be an item of Supply and does bear F&A Costs.

Direct Costs – Participant Support Costs

- Stipend or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects. 2CFR 200.75
  - Allowable with approval of the funding agency
  - Rebudgeting from the participant support cost category into other categories requires prior sponsor approval
  - Excluded from the Modified Total Direct Cost (MTDC) base on federal projects.

Direct Costs – Participant Support Costs (cont'd)

- Who is a Participant?
  - An individual who is receiving a service or training opportunity from a workshop, conference, seminar, symposium or other short-term instructional or information sharing activity funded by a sponsored award.
- A participant is not:
  - An employee of WVU/WVURC
  - A student or project staff member receiving compensation directly or indirectly from the grant
  - A research subject receiving incentive payments
  - A recipient of any compensation from any other federal government source while participating in the project (applies only to federal grants)

Direct Costs - Other

- Other costs necessary for the performance of the proposed work
  - Publication Costs
  - Research facility usage fees – at other sites
  - Specialized University facilities with established user fee schedules

Other Direct Cost Examples

F. Other Direct Costs

1. Materials and Supplies
2. Publication Costs
3. Consultant Services
4. ADP/Computer Services
5. Subawards/Consortium/Contractual Costs
6. Equipment or Facility Rental/User Fees
7. Alterations and Renovations

II OTHER DIRECT COSTS
  Office Operations
  Communications/Marketing
  Travel
  Meeting Expenses
  Surveys
  Equipment
  Project Space
  Other

III PURCHASED SERVICES
  Consultants
  Contracts

G. OTHER DIRECT COSTS

1.	SUPPLIES/MATERIALS
2.	COMPUTER
3.	CONSULTANT SERVICES (PROVIDE DETAILS)
4.	PUBLICATIONS
5.	COMM'S/SHIPPING
6.	SUBCONTRACT (PROVIDE BUDGET)
7.	OTHER (PROVIDE DETAIL)

Direct Costs – Sub-awards

- Should be used when substantive programmatic work essential to the project to be performed by an entity other than the University
  - Another university
  - Non-profit organization
  - Corporate entity
- Sub-awards should not be used to
  - Budget for supplies or vendor services (These acquisitions are managed through Procurement)
  - Budget for the services of an individual who lacks an institutional affiliation. (These arrangements are allowable and are handled through Service Agreements between the University and the individual)

Direct Costs – Sub-awards

- Prior to the time the proposal is submitted to a sponsor, obtain
  - The sub-recipient's scope-of-work (SOW)
  - The sub-recipient's budget (should be developed in consideration of your sponsor's costing rules; sub-awardee may charge its F&A rate for its costs)
  - The approval of both the sub-recipient's SOW and budget by a sub-recipient authorized institutional official.
- Only the first $25,000 of the sub-award budget included in your proposal is subject to University F&A charges. This charge is for the life of your award.

Facilities & Administrative (F&A) Costs

- Costs that are incurred for common or joint objectives benefitting more that one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. (2 CFR 200.56)

F&A Costs (cont'd)

- Current F&A Rates (effective July 1, 2016)
  - Research
    - On Campus 50%
    - Off Campus 26%
  - Instruction
    - On Campus 55%
    - Off Campus 26%
  - Other Sponsored Activity
    - On Campus 32.5%
    - Off Campus 26%

F&A (cont'd)

Budget Questions

- What costing method does the RFA/RFP indicate should be used in calculating F&A amount?
    - Total Direct cost (TDC)
    - Modified Total Direct Cost (MTDC)
- Which F&A should be applied based on the project type?
    - Research
    - Instruction
    - Other Sponsored Activity
- Where will the project take place?
    - On-campus F&A rate
    - Off-campus F&A rate

F&A Costs (cont'd)

- The University negotiates multi-year F&A rates with the U.S. Department of Health and Human Services
- A negotiated F&A rate must be charged for all sponsored programs unless a program or an agency has a legislatively mandated F&A rate that is to be charged, or in the case of private entities, an established <u>written</u> policy exists which limits F&A costs
- F&A rates are calculated on a Modified Total Direct Costs (MTDC) base
- MTDC exclusions –
  - Equipment with a per unit cost =/> $5,000
  - Sub-award costs > $25,000
  - Capital expenditures
  - Patient care charges
  - Student tuition remission
  - Off-site rental costs
  - Scholarship and fellowships

Cost Sharing

Know and Understand the Commitment

Cost Sharing (cont'd)

- Cost sharing is that portion of a sponsored agreement – <u>an element of Total Project Cost</u> – that is to be contributed by parties other than the sponsor and not directly charged to sponsored agreement account(s).

- Cost share can be actual dollars (salaries) or in-kind contribution to support a project (such as the value of tuition waivers). Cost sharing represents a legal commitment by the University to provide resources to a sponsored agreement, and is subject to audit.

- Three types of cost sharing:
  - Mandatory Cost Share
  - Voluntary Committed Cost Sharing
  - Voluntary Uncommitted Cost Sharing

Cost Sharing (cont'd)

- **Mandatory Cost Sharing** is cost sharing that is part of the proposal budget and is mandated by the sponsoring entity. This can be in the form of a specified dollar amount, a certain percentage of total costs, or in-kind.

- **Voluntary Committed Cost Sharing** is a cost sharing that the University contributes to a project on its own initiative and is included in the proposal budget or award. Once committed, this amount becomes a legal obligation on the part of the University

- **Voluntary Uncommitted Cost Sharing** is cost sharing that is not committed or budgeted for in a sponsored agreement. It need not be tracked for cost accounting purposes or reported to the sponsor, and if it arises from faculty or other personnel effort, it is excluded for separate identification in effort reporting.

Cost Sharing (cont'd)

STOP

COST SHARING OF ANY TYPE SHOULD BE AVOIDED UNLESS REQUIRED BY SPONSOR

Cost Sharing (cont'd)

- Cost sharing is a real expense that has to be supported by the University, Department or third party funds

  – University funds used for Cost Sharing reduce the effectiveness of other University programs

  – Third-party funds are difficult to acquire

  – TNSTAAFL (There is No Such Thing As A Free Lunch)

Cost Sharing (cont'd)

- There are two ways to calculate cost share. Read the solicitation carefully!
- 1. Cost Share as **20% of total award:**
  - Total costs $1,000 paid by sponsor
  - $1,000/ .8 = $1,250
  - $1,250 x .2 = $250 UD commitment
  - Total project costs $1,250
- 2. Cost Share **requirement of 20%:**
  - Total costs $1,000 paid by sponsor
  - $1,000 x .2 = $200 UD commitment
  - Total project costs $1,200

Budget Justification

- Highlight, explain, and provide rationale for budget categories and how the PI arrived at certain cost estimates

- Should be brief and project-related

- Read sponsor guidelines to determine if budget justification is required (Organized in the order of the detailed budget page)

- Make it clear that all budget requests are reasonable and consistent with sponsor and WVU policies

- Should follow the same line item format and costs as the budget form

Budget Justifications should justify

- Salary or Personnel Category:
  - Employee's role
  - What tasks they will perform
  - Effort required (person months or % effort)
  - Roles not defined in technical narrative
  - Increases in personnel costs based on WVU polices (merits, range adjustments)

Budget Justifications should justify

- Materials and supplies, equipment
- Renovation/Alterations, Rental Space, Patient Care, Sub-awards
- Items ordinarily covered by F&A
- Costs that fluctuate from year to year (increase or decrease) or appear only in a single year
- Unusual items
- Remember, budget and justification dictated by sponsor guides

RECHARGE CENTERS

Recharge Center

- An organizational unit or department that provides products and/or services to other University departments on an ongoing basis

- Recovers the costs of providing these products and/or services through the use of billing rates

- Rates and supporting calculations are to be approved and filed with Financial Services

Recharge Center Rates

- Only include costs that are allowable and necessary for the effective and efficient operation of the recharge center
- Exclude costs funded from federal sources
- Rates cover the allowable cost of goods or services provided
- Rates must be documented and consistently applied to all customers
- Billings must be based on actual usage of goods or services provided
- Rates must be adjusted at least biennially to reflect under/over recovery

SUB-AWARD MANAGEMENT

General Sub-award Conditions

- Only OSP may initiate, negotiate, issue, and sign <u>new</u> sub-awards on behalf of WVU/WVURC.

- <u>Modifications and amendments</u> to sub-awards are initiated, negotiated, issued, and signed by OSP.

- Sub-award scopes-of-work and budget documents must be approved by a sub-recipient authorized official prior to OSP's preparation or issuance of a sub-award.

- Sub-recipients who cannot demonstrate the capacity or willingness to manage a sub-award will not be issued sub-awards.

Sub-award or Service Agreement ?

Sub-award or Service Agreement ?

- Sub-awards are only for truly substantive portions of the work
- Analyses and samples are covered under service agreements through Procurement, not sub-awards through OSP
- Sub-awards and service agreements need to be budgeted correctly at proposal stage due to F&A
- When in doubt, call us!

Sub-award Initiation or Modification Requests

- **Initiation.** A request to initiate a sub-award should be forwarded to OSP when a sub-award has been formally approved by a sponsor either –
    - as part of a formal award action or
    - after an award with the prior written approval of the prime award sponsor.

- **Modifications** should be processed when –
    - Substantive changes to the approved scope-of-work are agreed upon by the WVU/WVURC PI/PD and Sub-recipient PI/PD;
    - Changes to the level of funding are required;
    - Changes to the period of performance are required; or
    - New award terms and conditions are made necessary by sponsor action.

Roles and Responsibilities

Principal Investigator:

- Obtain <u>approved</u> proposal from proposed sub-recipients for incorporation into WVU proposal;
- Maintain communications with the sub-recipient PI/PD and technical team sufficient to assess the quantity and quality of work being performed;
- Review sub-recipient technical performance reports;
- Receive, review and approve sub-recipient invoices (in coordination with Administrative Support Person (ASP))
  - Certify that invoiced amounts are consistent with the amount and type of work performed to date;

Roles and Responsibilities

Principal Investigator (cont'd):

- Pursue clarification of expenses that appear inappropriate (in coordination with ASP);
- Notify OSP of changes that need to be made to the sub-award scope-of-work, budget, or period of performance;
- Notify OSP if sub-recipient fails to provide timely technical reports, invoices, or other requested information; and
- Advise sub-recipients that do not have a negotiated F&A rate of the allowability of charging a *de minimis* rate of 10%.
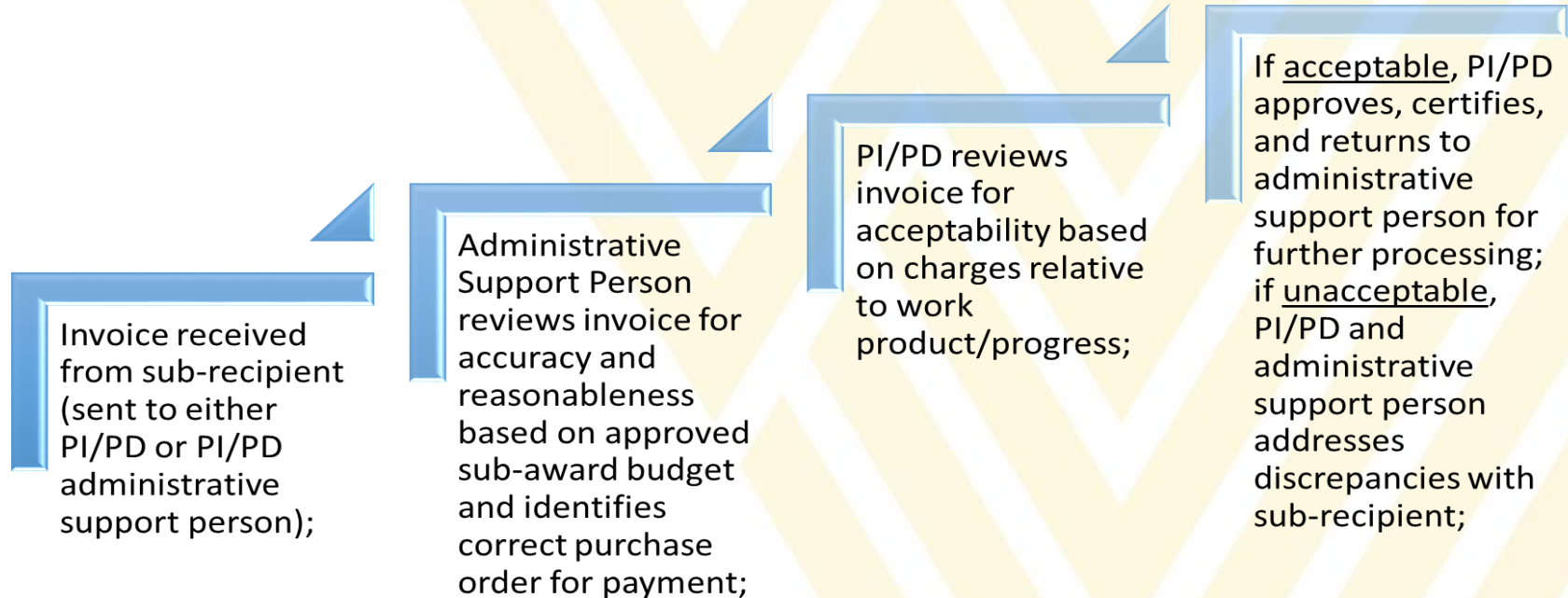
Roles and Responsibilities
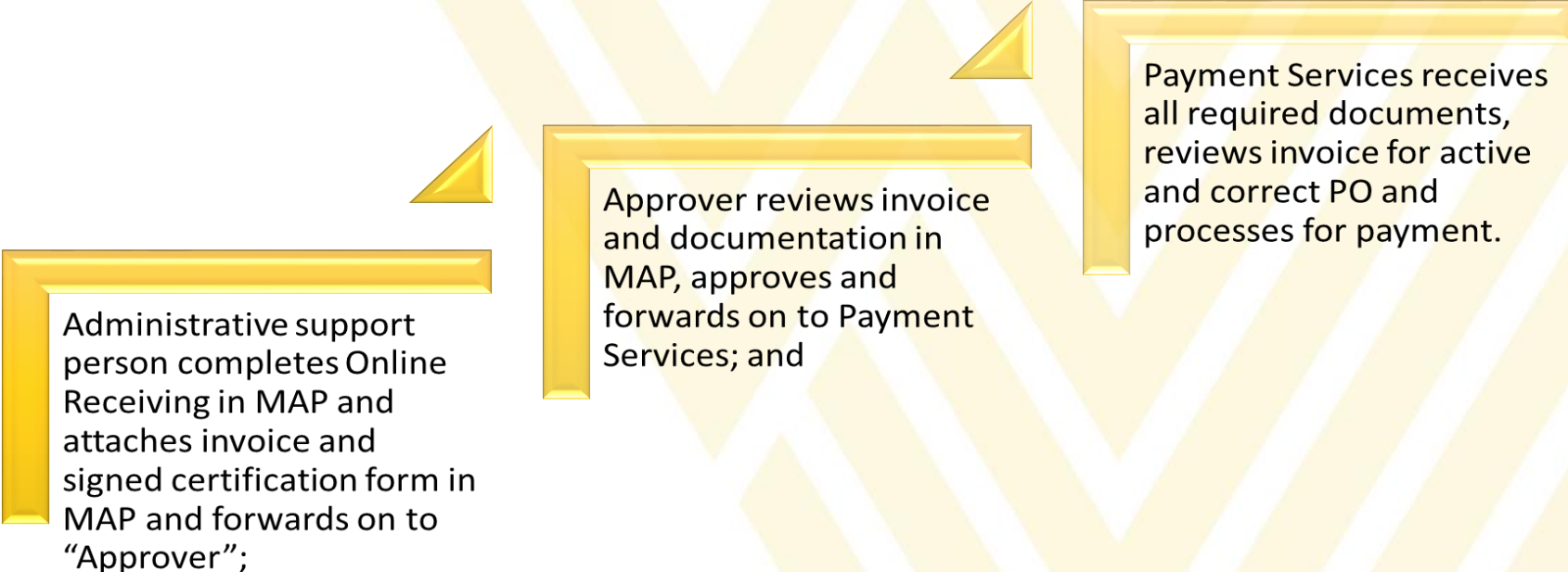
Administrative Support Person (ASP):

- Review of invoices and comparison of invoices to established sub-award budgets;

- Advise PI/PD of invoice issues;

- Work with sub-recipient to clarify any charges which appear to be unallowable, un-allocable, unusual, or excessive;

- Prepare and process sub-recipient invoices for payment.

Processing of Sub-recipient Invoices

Invoice received from sub-recipient (sent to either PI/PD or PI/PD administrative support person);

Administrative Support Person reviews invoice for accuracy and reasonableness based on approved sub-award budget and identifies correct purchase order for payment;

PI/PD reviews invoice for acceptability based on charges relative to work product/progress;

If acceptable, PI/PD approves, certifies, and returns to administrative support person for further processing; if unacceptable, PI/PD and administrative support person addresses discrepancies with sub-recipient;

Processing of Sub-recipient Invoices

Administrative support person completes Online Receiving in MAP and attaches invoice and signed certification form in MAP and forwards on to "Approver";

Approver reviews invoice and documentation in MAP, approves and forwards on to Payment Services; and

Payment Services receives all required documents, reviews invoice for active and correct PO and processes for payment.

Close-out of Sub-awards

OSP will close-out the sub-award when the following are complete -

- sponsor administrative requirements,

- sub-award financial accounting, and

- substantive programmatic work results provided to PI.

FYI AND WRAP-UP

FYI - *FAPIIS*

- *F*ederal *A*wardee *P*erformance and *I*ntegrity *I*nformation *S*ystem

- Federal awarding agencies to report information about -
  - any termination of an award due to a <u>material failure to comply</u> with the award terms and conditions;
  - any administrative agreement with a non-Federal entity to resolve a suspension or debarment proceeding; and
  - any finding that a non-Federal entity is not qualified to receive a given award, if the finding is based on criteria related to the non-Federal entity's integrity or <u>prior performance</u> under Federal awards.

FYI - *FAPIIS*

- ***Material failure to comply***

- ***Prior Performance***

  - Terminations or Cause or Default

  - Defective Cost and Pricing Data

  - Determinations of Non-Responsibility

  - Terminations for Material Failure to Comply (grants)

  - Recipient Not Qualified Determinations (grants)

- **GONE Act** (Grants Oversight and New Efficiency)