Allowable and Allocable Costs and the Llama

This article contains a story adapted from Wayne State University’s newsletter article entitled ‘Allowable and Allocable Costs and the Llama’ from July 1, 2013.

The allowability of an expense on a sponsored project cannot always be determined at a moment’s notice. The example below, told at a Michigan Society of Research Administrator’s Conference, highlights the benefits of clear communication and documentation to research administrators.

During the review of pending charges to an award a research administrator noticed unusual expenses – feed and upkeep of a llama. After reviewing the award and budget justification, she could not determine how costs for a llama could be allowable on an award that only involved sheep. The research administrator contacted the department for more information; specifically, how was this llama allowable and allocable to their project?

The department explained that the University’s sheep, crucial to the research, were being killed by local coyotes. A llama, it turned out, was their best option for protecting them. The department clarified that llamas are territorially aggressive, keeping the coyotes away, and less expensive to acquire and care for than an electronic deterrent system. Since the department was able to justify and document the expense, the research administrator approved the charges.

The research administrator also worked with the department to determine allocability for the cost of the llama. The department provided documentation showing the sheep purchases and their allocation to different projects. Since four of the department’s 18 sheep were being used for the award the research administrator was reviewing, they determined that 22% of the llama expenses should be charged to that account.

Though a llama may initially sound like an unallowable expense on many sponsored awards, this example serves as a reminder that sufficient justification and documentation is essential in this field.
Purchasing Computers and Other Electronic Devices on Sponsored Projects

Purchases of computers and electronic devices require meeting certain standards set by the sponsor. Computers and electronic devices are typically used for multiple activities - instruction, research administration, email, proposal development, calendaring, and/or personal use. The Government’s presumption is that these devices normally cannot be justified as allowable direct charges to a sponsored project. However, in some cases the use of computers and electronic devices specifically required for individual research projects can be justified as directly benefitting those awards.

With justification, the purchase of computers and electronic devices can be an allowable direct charge to projects when the conduct of the research requires a computer or electronic device (i.e. the computer is attached to a piece of equipment and is required for collection or analysis of data for the project, or the laptop computer is specifically needed to record data while in the field, such as an archeological site). In such situations, the computer or electronic device must be used either exclusively or primarily for the project. The PI needs to conform to any specific restrictions or approval requirements of the sponsor and needs to be sure that the computer would not have been purchased were it not to support the goals of the specific research project. If there is a shared scientific use, a computer can be allocated between 2 or more research grants. Adequate documentation should exist that supports the allocation.

If the need for a computer or electronic device develops during the project and was not requested in the original budget, the PI needs to provide documentation of unlike circumstance to SPA for review and approval. Generally, an unlike circumstance is defined as an activity or use of an item which is substantially greater in amount or different in purpose than the normal use of that item. To provide evidence of an unlike circumstance, in this case, the Principal Investigator must document that the use of the computer is beyond the normal use and application of computers in day-to-day operations and explain how the computer directly benefits the project. A lack of documentation could call into question the allowability of the purchase on the sponsored project.

Please note that specific guidance varies by sponsor. In all cases it is necessary that these devices conform to any specific restrictions or approval requirements of the sponsor. When making a purchase, consider the following questions:

- Do written sponsor guidelines prohibit the purchase of computers and electronic devices?
- Is the expense directly allocable to the project that is purchasing the equipment?
- Is the cost reasonable and directly benefitting the sponsor’s project?
- Are there other sponsor requirements (i.e. rebudgeting, notification, etc.)?

If you have questions about the allowability of a computer or electronic device on your sponsored award(s) please contact Sponsored Programs Accounting. You may also visit our website for more information, including Frequently Asked Questions (FAQs):

Tips & Tools for Award Closeout

Award closeout is a critical part of the life cycle of a grant. To ensure that awards are in compliance with sponsor and university policies, SPA is conducting a more in-depth review of expenses in preparation for both financial reports and award closeouts. In order to ensure that reports are submitted and accounts are closed within 90 days of the award’s expiration we will continue to work closely with PIs and Departmental Research Administrators to facilitate this process.

In the department, preparation for closeout should begin upon receipt of the 90-day Notice from SPA, or three months prior to the end date of the award. These three months allow the Department/PI time to accurately forecast final expenses and any adjusting entries that need to be made. Listed below are some questions that a PI/Department Administrator should consider in preparation for an award’s expiration:

- Will the project be completed before the end date? Is a no-cost extension needed?
- Are all the expenditures charged to the award allowable, allocable, reasonable and consistent with the terms of the agreement?
- Has the progress report/technical report been submitted?
- Was actual effort for PI and any senior key personnel less than committed effort? Was the reduction greater than 25%?
- Do certified effort reports match the effort reported to the sponsor on progress reports?
- For NIH and NSF awards and subawards, are PI and senior/key personnel in compliance with salary caps?
- Have all expenses been processed and paid? (i.e. invoices, travel reimbursements, IDR's)

- Are there normally unallowable expenses or expenses posted to the general ledger before the start date or after the end date? If so, gather invoices/justifications or submit cost transfers.
- If expenses were charged in error, has a cost transfer been initiated?
- Are there any open commitments or encumbrances? If so, close the PO if it is no longer needed.
- Were all cost share commitments met, including those on subawards?
- Have allocations for recurring charges been transferred to another funding source (i.e. animal care expenses, p-card charges, shipping charges, etc.)
- Were laboratory/departmental staff notified of the award’s termination? Have they been provided with an alternative funding source?

Grant reports in the Data Warehouse, including the Comparative Financial Summary Report with Transaction Detail, are updated daily and are invaluable tools to this process. As always, please contact SPA with any questions you may have. You can also visit our website - http://finance.tufts.edu/spa/grant-closeouts-sponsored-programs-accounting/

Do you have tips or tools that help you during the closeout of an award? Email them to Melissa Holmes (Melissa.Holmes) for a feedback section in the next newsletter!
Did you know?

ORA’s Legacy Database assigns a unique number to each proposal in their system. When a proposal becomes an award, this number comes to SPA with the award documentation. A field in PeopleSoft on each award record holds the number, allowing proposals/awards in ORA’s database to be matched to PeopleSoft. The SPA team is working to ensure that all active grants in PeopleSoft are assigned an ORA Database number and will soon be adding a field to our Chart of Accounts to reflect this data. Some departments have been able to use this data for internal funding reporting, comparing number of proposals to number of awards or dollar amounts proposed to dollar amounts awarded. We hope that this information will also be helpful to others in the Tufts research community!

Upcoming NCURA Workshops & Meetings

The National Council of University Research Administrators (NCURA) is holding several workshops in September in Dallas, Texas and in December in Charleston, South Carolina. The sessions give attendees the opportunity to meet colleagues from around the country, share ideas and learn from subject matter experts. The sessions, including ‘Financial Research Administration Workshop’, ‘Departmental Research Administration Workshop’ and ‘Level II: Sponsored Project Administration Workshop – Critical Issues in Research Administration’, are filling up quickly! For more information, or to register for a workshop, visit the NCURA website - http://www.ncura.edu

Training and Outreach

Classes and workshops are available on-line and in-person for those interested in more information about various grant-related topics including expense transfers, travel and closeouts. Visit the Learning Center at http://learncenter.uit.tufts.edu to view tutorials, or visit the TELD at http://go.tufts.edu/teld for a listing of instructor-led classes. Feel free to contact Carol Liedes for more information.

To arrange NIH Training Grant Roundtable Discussions you may contact Joyce Ferland; the SPA Post Award Financial Specialists and Assistant/Associate Director are also happy to meet with faculty and staff as needed!

SAVE THE DATES!


03/15-03/17/2014 - Annual Financial Research Administration (FRA) Conference in San Francisco, CA

03/18-03/20/2014 – Pre-Award Research Administration (PRA) Conference in San Francisco, California.

04/17-04/20/2014 - NCURA Region 1 Annual Meeting in Mystic, CT

Do you have any information that you’d like us to share in our next newsletter? Please direct suggestions, questions or comments about the newsletter to Melissa Holmes (Melissa.Holmes@tufts.edu). Thank you!