



Practice Session Discussion

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Exercise 1.a - Section I Allowability Determination

1. “Full salary for the project director’s secretary. The PD will dedicate 5% to the project.”

Applicable Section(s):

- §200.413(c) - Direct costs

To consider:

- Administrative treated as indirect.
- Clerical services integral to the project to be direct
- Individuals identified with the project.
- Not recovered as indirect.

Determination: Unallowable

Exercise 1.a - Section I Allowability Determination

2. “A trip for 1 student from USA to Dubai to present a poster on a chemistry convention at a cost of \$15,000.00.”

Applicable Section(s):

- §200.474 - Travel costs
- §200.75 - Participant support costs
- §200.432 – Conferences

To consider:

- \$15,000 reasonable??

Determination: Unallowable

Exercise 1.a - Section I Allowability Determination

3. “Computer server at a cost of >\$5,000.00 to be used for the analysis of a population’s genetic profile.”

Applicable Sections:

- §200.439 - Equipment and other capital expenditures / §200.33 - Equipment.

To consider:

- \$5,000 or capitalization threshold
- Prior approval
- General purpose equipment unallowable as direct.
- **Special** purpose equipment allowable as direct

Determination: Allowable

Exercise 1.b - Section I Allowability Determination

1. “Toners for the Social Science Department photocopier”

Applicable Sections:

- §200.453 Materials and supplies costs, including costs of computing devices.

To consider:

- **necessary** to carry out a Federal award
- used for the performance of a Federal award may be charged as direct costs
- Necessary? Direct?

Determination: Unallowable

Exercise 1.b - Section I Cost Principles Allowability

2. “Office renovation for the Project Director’s medical office that include acoustic walls, indirect lighting and other features to control ambiance. The project researches children with sensory modulation disorder”.

Applicable Sections:

- §200.462 - Rearrangement and reconversion costs.

To consider:

- Costs for **ordinary** alterations allowable as indirect
- Alterations costs incurred **specifically** for a Federal award are allowable as a direct cost

Determination: Allowable

Exercise 1.b - Section I Cost Principles Allowability

3. “Yearly calibration cost for a confocal microscope used in a molecular biology grant”

Applicable Sections:

- §200.452 – “neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable”

Determination: Allowable

Exercise 1.a-b - Section II Budget Reviewing

Scenario

ABC Tech, a **non-for-profit** organization is developing the budget to compete for an outreach project for the development of a **community technology center** on a low income area. The center goals are to train community members on web technologies and to counsel them on opportunities available to them through the internet like jobs, business opportunities, services, etc. To complete the objectives of the grant the organization included **5 outreach/training specialists**, 1 web designer, 1 data entry clerk. Additionally to the training sessions, the proposal considers other outreach activities like brochures printing, a kickoff event that includes lunch for 50 members of the focus community and a marketing campaign to attract participants. The organization has an F&A negotiated rate of 40% based on the modified total direct costs (MTDC), however the program has a statutory rate of **15% of MTDC**.

Exercise 1.a-b - Section II Budget Reviewing

Item of Cost	Cost
Project director's salary	\$45,000
Web developer's salary	\$30,000
Outreach/Training Specialist's salaries	\$125,000
Fringe benefits (principals)	\$80,000
Administrative clerk	\$20,000
Fringe benefits (clerk)	\$4,000
Outreach/Training Specialist's productivity bonuses	\$5,000
Development workstation	\$55,000
Lunch Cost (kickoff activity)	\$5,000
Monthly staff meeting activities on a bowling alley	\$6,000
Printer	\$5,000
Office materials	\$10,000
Computers (quantity 20)	\$20,000
Printed materials	\$5,000
Advertisement	\$60,000
F&A costs	\$71,850

Exercise 1.a-b - Section II Budget Reviewing

Item of Cost: Budget Web developer's salary - \$30,000

Issue:

- **Allocability** (§200.405) - From the narrative, it is not clear how this budget item will contribute to the goals of the project.

Fix:

- Improve narrative: Software will be developed by the web developer to assist outreach/training specialists in the preparation of training modules.

Exercise 1.a-b - Section II Budget Reviewing

Item of Cost: Administrative clerk - \$20,000

Issue: Direct vs Indirect, Allocability

- §200.413(c) – Direct Cost administrative and clerical staff usually indirect.
- No indication of necessity and how the position is integral to the project.

Fix:

- Describe the role of the employee in the project
- Assure that similar employees on other institutional projects are not treated as indirect

Exercise 1.a-b - Section II Budget Reviewing

Item of cost: Fringe benefits (principals) - \$80,000 (40%)

Fringe benefits (clerk) - \$4,000 (20%)

Issue:

- §200.431(c) – Compensation— fringe benefits – “...Such benefits, must be allocated to Federal awards and all other activities in a **manner consistent**”
- Consistency - Different rates used for fringe.

Fix:

- Difference might be justified (permanent vs temporary positions)
- Make sure policy is in place

Exercise 1.a-b - Section II Budget Reviewing

Item of cost: Outreach/ Training Specialist's productivity bonuses - \$5,000

Issue:

- Policy – Although incentive compensation is recognized as an allowable cost, policy has to be in place to comply with §200.430(F) - Incentive compensation.

Fix:

- Make sure policy is in place

Exercise 1.a-b - Section II Budget Reviewing

Item of cost: Development workstation - \$55,000

Issue: Allocability (§200.405) / Reasonableness (§200.404)

- Not clear for what is going
- to be used \$55,000 for a
- workstation? Reasonable?

Fix:

- Describe why the equipment is necessary
- Adjust cost

Exercise 1.a-b - Section II Budget Reviewing

Item of cost: Lunch Cost (kickoff activity) - \$5,000

Issue: Reasonableness (§200.404)

- Although activity is allowable under §200.432 - Conferences
- \$5,000 for 50 people is
- \$100 p/p for a lunch.

Fix:

- Adjust cost

Exercise 1.a-b - Section II Budget Reviewing

Item of cost: Monthly staff meeting activities on a bowling alley - \$6,000

Issue: Allowability

- Entertainment as per §200.438 – “Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable”

Fix:

- Remove budget item.

Exercise 1.a-b - Section II Budget Reviewing

Item of cost: Office materials - \$10,000

Issue:

- **Direct vs Indirect**
- **Allocability**
- Is this type of cost regularly treated as indirect?
- Will it benefit only the project?
- \$10,000?

Fix:

- Remove budget item or adjust it.
- If kept, describe why it's necessary and why direct.

Exercise 1.a-b - Section II Budget Reviewing

Item of cost: Advertisement - \$60,000

Issue: Reasonableness

- Allowed under §200.421(4) – Advertising and public relations “Program outreach and other specific purposes necessary to meet the requirements of the Federal award”
- Reasonable cost? \$60,000

Fix:

- Adjust cost for this item of cost

Exercise 1.a-b - Section II Budget Reviewing

Item of cost: F&A costs - \$71,850

Issue: Incorrect Base (MTDC)

- **§200.68 Modified Total Direct Cost (MTDC)** – “... MTDC excludes equipment, capital expenditures,...”
- Total costs used to calculate indirect, instead of MTDC

Fix:

- Recalculate F&A