

Avoiding Grant-Spending Setbacks

Your Guide to Expense Allowability

Presented by:

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Agenda

- Introduction
- Pre-Award
- Post-Award
 - Test your knowledge!
- Key Takeaways
- Q&A

Housekeeping

- Webinar will be recorded and link will be emailed & posted to website
- Please keep microphones muted until Q&A



Introduction: Federal Cost Principles

- Per 2 CFR 200 Subpart E, costs must be:
 - Allowable
 - Necessary
 - Reasonable
 - Allocable
 - Treated Consistently
- **Caution!** PI/Institution may have to repay funds if sponsor determines costs did not meet the requirements.





Is it allowable?

- Federal Regulations
 - Uniform Guidance, FAR, DFAR
- Sponsor Terms & Conditions
 - Sponsor website
- Award Terms & Conditions
 - Award document
- Institutional Policies
 - Chapman's website



Is it reasonable?

- Required for proper and efficient performance
- Business Practice aligns with regular institutional procedures and market prices
- Does it pass the prudent person test?



Is it allocable?

- Cost demonstrates a benefit to the project
- Cost is not part of indirect costs
- If the cost benefits more than one project, it adheres to uniform guidance



Is it treated consistently?

- Must treat same cost the same way, regardless of funding source
- Recognizing “like circumstances”
 - Costs incurred for the same purpose in like circumstances must be treated consistently either as direct or indirect costs

Pre-Award Learning Objectives

- Understanding the concept and criteria for allowability in Pre-Award
- Pre-Award practices for Post-Award success

Developing Your Budget

- Can I put that in my budget?
- How much of it can/should I include?
- How will this affect my project later, if awarded?
- Where can I find information to help me figure all this out?



Carefully Read Your NOFO*!

- Is there a limit to the total amount of funding you can request?
 - Does the limit include **F&A** and **Subaward F&A**?
- How many years of funding can you request?
 - Are there limits to the amount you can request per year?
- Are there any **unallowable** expenses?
 - Entertainment, Equipment, Foreign Travel, F&A, etc.
- Are there limits on specific budget items?
 - **Salary caps**, effort requirements, etc.
- Are there any restrictions or requirements for **cost sharing**?



*NOFO = Notice Of Funding Opportunity

Budget Categories

- Personnel
- Equipment
- Travel (domestic, foreign)
- Materials & Supplies
- Publication Costs
- Consultant/Professional Services
- Human Subject Payment
- Vivarium/Animal Costs
- Data Management and Sharing Costs
- Participant Support Costs
- **Subawards**

Allowable?

Allocable?

Reasonable?

Necessary?

Consistently
Applied?

Subaward Allowability

- Does the opportunity allow subawards?
- Does the subaward site's budget conform to sponsor requirements?
- Is the subaward entity eligible to receive federal funding?
 - Required registrations/IDs?
 - UEI obtained from SAM.gov
 - PI or Entity debarred/disqualified?
 - **If foreign:** Does sponsor allow foreign subs? Country of concern? Stable government?
- Single Audit? Adverse findings?
- Appropriate financial system/controls?
- FCOI policy meets federal requirements and is active and enforced?
- FWA# for human subjects?
- AWA# for animal work?



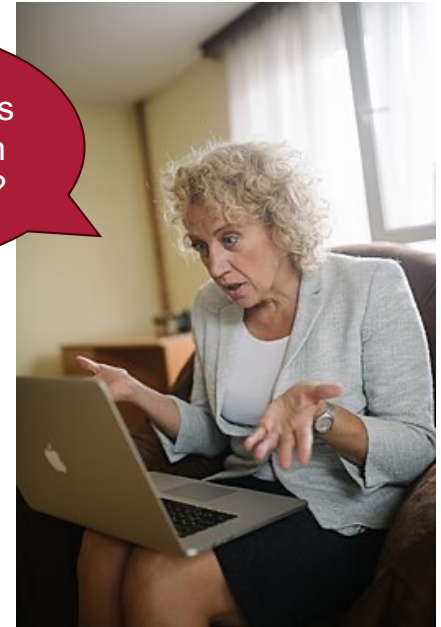
Budget Justification

- Be specific!
- Explain...
 - why items are necessary
 - how costs were estimated
 - how costs will be allocated
- Thoroughly explain any costs that may seem unusual!*

*Pro Tip

A good budget justification can prevent the need to submit prior approval requests later and allows our post-award team to approve your expense requests more quickly!

Why hasn't this expense been approved yet?



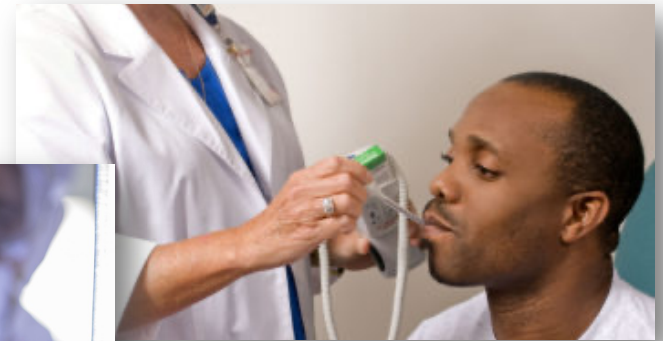
What are the Consequences?

- An insufficient justification may lead reviewers & sponsors to think your study is not well-thought-out
 - Decreased likelihood of funding
- Budget cuts at time of award negotiation
 - Sponsors can (and do!) question costs and cut budgets if expense does not seem necessary, reasonable, etc.
- May cause delays in expense approvals in the post-award phase:
 - Prior approval from sponsor may be required
 - Post-Award may need to solicit additional documentation/justification



Allowability at Award Acceptance

- Check for IRB, IACUC, IBC, EH&S prior to release of funding
 - Expenditures not allowable until proper compliance approvals are obtained



Post-Award Learning Objectives

- Understanding the concept and criteria for allowability in Post-Award
- Analyzing complex scenarios to determine allowability in unique situations

The Post-Award Expense Review Process

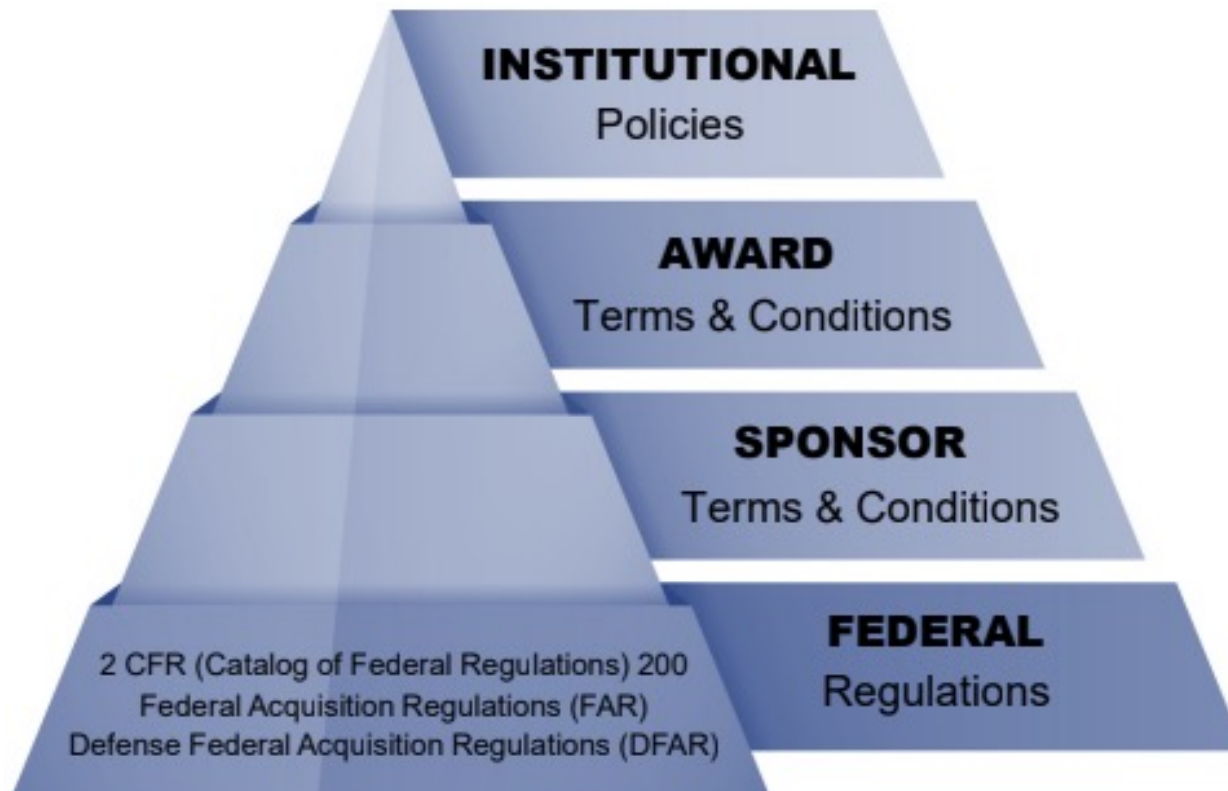
On a fully established award, when expenses are incurred on the project, the expense is sent to Sponsored Projects Post-Award for review and approval. Post-Award will look at several things to determine if the expense is allowable.



Determining Allowability

- Have the four Federal Cost Principles been met?
 - Is the expense allowable, reasonable, allocable and treated consistently?
- Does the expense adhere to the applicable federal, sponsor or institutional guidelines?

Order of Precedence





Determining Allowability

- Is the expense laid out in the detailed budget and budget justification?
 - If not, can a justification and benefit to the project for the expense be provided at the time of review?
- And finally, do you have adequate documentation for this expense?



Adequate Documentation

- Source Documentation
 - Receipts, relevant communications, packing slips and/or justifications.
- Can a person not familiar with the project tell what is going on based on the justification and documentation given?
- Things that may need to be demonstrated:
 - Benefit to project(s)
 - Allocation method if splitting between multiple projects
 - When the expense was incurred in relation to the project period
- Must be sufficient to survive audit

Allowable or Unallowable?

Instructions for our recap game:

- We have gathered three different scenarios of expenses being submitted for approval. All of them are real. However, none of them occurred at Chapman.
- After we go over the scenario, a poll question will be posed to the group: Was this expense allowable? Or unallowable?
- This exercise will serve as an example for the wide array of items Sponsored Projects can encounter at any given time.

Scenario 1

- A faculty member purchased several thigh high stockings on their PCard and wants to charge it to their USDA grant. The expense line includes the explanation that samples taken during field work need to be stored in liquid nitrogen. Plastic bags can't withstand the low temperatures, but stockings can.

Is this purchase allowable?



Scenario 1, Explained

- A faculty member purchased several thigh high stockings on their PCard and wants to charge it to their USDA grant. The expense line includes the explanation that samples taken during field work need to be stored in liquid nitrogen. Plastic bags can't withstand the low temperatures, but stockings can.



Correct Answer:

Allowable because the PI has provided justification for the purchase and how it benefits the grant. (Be sure to attach appropriate receipts, as well!)

Scenario 2

- A faculty member on an NIH grant wants to purchase an Italian leather designer handbag (\$600) using grant funds. The faculty member's justification was that the grant had paid for the laptop, and they needed something to carry it in.

Is this purchase allowable?



Scenario 2, Explained

- A faculty member on an NIH grant wants to purchase an Italian leather designer handbag (\$600) using grant funds. The faculty member's justification was that the grant had paid for the laptop, and they needed something to carry it in.



Correct Answer:

Unallowable because this is not a *reasonable* or *necessary* purchase for the scope of work on the grant. A prudent person would find a less expensive alternative if the laptop needed to be transported safely.

Scenario 3

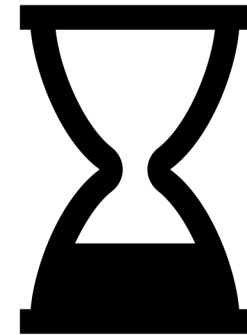
- The Biology department wants to order 300 sippy cups on an NSF grant.

Is this purchase allowable?



Scenario 3, Explained

- The Biology department wants to order 300 sippy cups on an NSF grant.



Correct Answer:

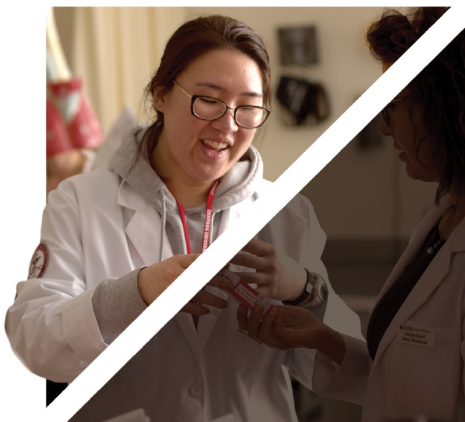
We do not have enough information to determine allowability.

After asking the PI for further information about the requested purchase, it was determined to be **Allowable because** the cups were being used to trap turtles for tagging as part of the project. Sippy cups were the perfect size and less expensive than alternatives; this is a clear justification for the necessity and benefit to the grant.

Key Takeaways

- Expense allowability is determined by Federal regulations, sponsor/award terms & conditions, and Institutional policies
 - It depends!
- Proper planning in the Pre-Award stage can set you up for success at time of award and throughout the Post-Award phase
- New ideas, opportunities and changes are bound to happen during your research project. When unplanned expenses come about, maximize documentation and communication about these changes.
 - When in doubt, reach out!





Questions?

Contact us: sps@chapman.edu

Join us at our upcoming OOR events!

- **Virtual Office Hours**
 - Pre-Award: 1st Thurs each month, 11 am–12pm
 - Post-Award: last Tues each month, 9:30–10:30 ;

<https://www.chapman.edu/research/events.aspx>



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Scenario 4

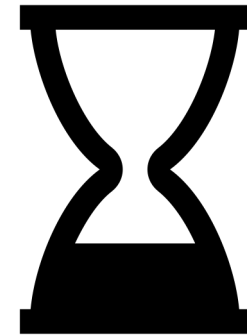
- A grad student in Chemistry submitted a reimbursement request on a Foundation grant for a pair of pants purchased at the local mall.

Is this purchase allowable?



Scenario 4, Explained

- A grad student in Chemistry submitted a reimbursement request on a Foundation grant for a pair of pants purchased at the local mall.



Correct Answer:

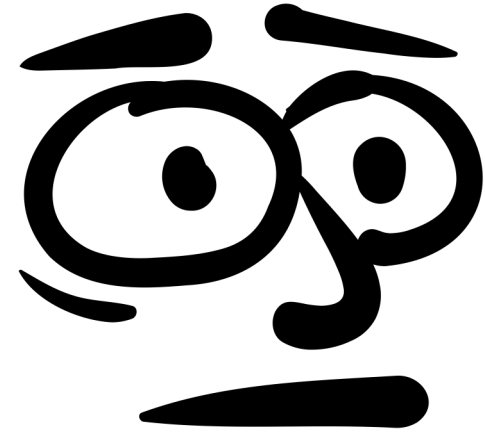
We do not have enough information to determine allowability.

After further request for information, it was determined to be **Unallowable** **because** the grad student's assertion that the University required him to wear pants in the lab was not an adequate justification for this expense.

Scenario 5

- The PI on a DOI grant requested the purchase of a shotgun and ammunition. In the request, the PI included the justification that this was for field work in the wilderness where bears and other wildlife could be dangerous.

Is this purchase allowable?



Scenario 5, Explained

- The PI on a DOI grant requested the purchase of a shotgun and ammunition. In the request, the PI included the justification that this was for field work in the wilderness where bears and other wildlife could be dangerous.

Correct Answer:

Allowable because sufficient justification was provided for how the expense was necessary, reasonable, and benefitted the scope of work. Further, extensive safety protocols were put in place.



Scenario 6

- The Theatre department purchased a gross of condoms on a PCard and wants to charge it to a National Endowment of Arts grant. The PI explained that condoms are used to protect the specialized lapel microphones used during recording sessions for a production project funded by this NEA grant.

Is this purchase allowable?



Scenario 6, Explained

- The Theatre department purchased a gross of condoms on a PCard and wants to charge it to a National Endowment of Arts grant. The PI explained that condoms are used to protect the specialized lapel microphones used during recording sessions for a production project funded by this NEA grant.



Correct Answer:

Allowable because the expense is *reasonable* and *necessary* for activities within the scope of the funded project.