Fiscal Compliance Requirements for Sponsored Programs
Allowable Costs per A-21

University of Missouri System
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Learning Objectives

• To understand:
  • Allowable cost compliance requirements
  • Responsibilities of Principal Investigator (PI) and Research Administrator
  • Common issues and impact of non-compliance
Definitions

• **Principal Investigator** (PI/Co-PI) – Named by sponsor on award document with **overall** compliance responsibility

• **Research Administrator** – Individual assisting the PI with the fiscal management of an award

• **Sponsored Award** – Activity funded by an external entity for a specific purpose
• **Unallowable costs** – Costs not meeting award requirements. Costs are unallowable if they don’t comply with:
  1. Federal requirements,
  2. Sponsor requirements, or
  3. Documentation requirements
Definitions

Direct costs are:

• Incurred to accomplish the award’s activity
• Assigned to the award with relative ease and a high degree of accuracy
• Consistently treated in similar/like circumstances
• Documentation to support charge
Definitions

- **Facilities and Administrative (F&A):**
  - Incurred for a common or joint objective (e.g. utilities)
  - Cannot be easily identified with a particular award
- **Facilities:** depreciation, interest on related debt, operational, maintenance, and library costs
- **Administration:** departmental, sponsored programs offices, and other general administrative costs
Compliance Requirements

Requirements are set by:

• **Office of Management and Budget (OMB)** –
  • Oversight agency of the federal government
  • **OMB Circulars** – Federal rules for award administration

• **Sponsors** –
  • Individual sponsors may have additional requirements

• **APM and BPM** –
  • APM – Accounting Policy Manual
  • BPM – Business Policy Manual
Compliance requirements for allowability

- **OMB Circular A-21** - Cost Principles for Educational Institutions
  - Allowable direct costs, and
  - Allocable F&A
- **Sponsor guidelines** specific for each award
- **APM 60.07** – Allowable Costs and Cost Principles
Allowability Requirements

1. Reasonable:
   • Act with due prudence
   • Consistent with University policies and procedures
   • Necessary for performance of the award
   • Arms length (managed conflict of interest)
   • Transactions must be legal
2. **Allocable:**
   - Incurred specifically for the award, or
   - Benefits both the award and other work of the University and can be reasonably distributed in proportion to benefits received
3. Consistent treatment:
   • Consistent practice in reporting costs for:
     • same purposes, or
     • like circumstances

4. Complies with limitations and exclusions:
   • Sponsor may be more restrictive than A-21
   • Exceptions are specified in the award
Allowable Direct Costs

- Allowable direct costs are **necessary** and **directly related** to the scope of work for the award, such as:
  - PI salary and benefits
  - Graduate student salary
  - Technical research or lab equipment
  - Animal care costs
  - Travel costs
Unallowable Costs

• Certain costs are **expressly unallowable**:  
  • Alcoholic beverages  
  • Alumni activities  
  • Donations and Contributions  
  • Entertainment  
  • Automobile provided for personal use  
  • Goods or services for personal use  
  • Housing and personal living  
  • Losses or deficits on other sponsored agreements
Possible Exceptions

• Certain costs are unallowable with exceptions:
  • Contingency provisions
  • Fines and penalties
  • Fundraising and investment costs
  • Lobbying
  • Pre-agreement costs
  • Selling and marketing costs
  • Student activity costs

• Must be specified in the agreement as allowable!
Direct Charge of F&A Costs

• Direct charging of F&A costs:
  • Unlike circumstance must exist
  • Unusual and infrequent
  • Included in the proposal budget and agreement
  • Sponsor approval
  • Documentation to support rationale

• *Without the above items, allowability is not ensured.*

• *Work with SPO before direct charging any F&A costs.*
Other considerations

• Allowability impacts the sponsored programs process from beginning to end:
  • Proposal and award budget
  • Monthly managerial review
  • Cost Transfers – Made within BPM-213 timelines
  • Cost Sharing
  • Subaward payments
  • Effort Verification Reporting
  • PI Certification at end of award
## Responsibilities

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<tr>
<th>Activity</th>
<th>PI</th>
<th>Research Admin</th>
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<td>Overall Compliance Responsibility</td>
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<td>Knowledge of Compliance Requirements</td>
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<td>Attend Training</td>
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<td>Allowable Costs</td>
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<td>Documentation to Support Costs</td>
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<td>Communicate Compliance Issues</td>
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Common Issues

• Unallowable costs directly charged to award
• Lack of supporting documentation
• Purchases late in the award period
• Costs outside period of availability
• Unlike circumstances not set out in sponsor agreement
Impact of Non-Compliance

- Questioned or unallowable costs
- Repayments to the sponsor
- Fines and/or sanctions
- Subject to additional external audits
- Damage to reputation
- Jeopardize future funding opportunities
Checklist for Success

☑ Ensure costs are:
  - Allowable (authorized in the budget and agreement)
  - Within period of availability
  - Charged timely to project
  - Appropriately documented

☑ Make timely and allowable cost transfers
• **APM 60.07—Allowable Costs/Cost Principles**
• University Accounting Policies – **APM – Section 60**
• **Reference Guide for Sponsored Programs**
• Other related training available:
  • **Financial Compliance Training Website**
  • Contact your Sponsored Programs Office for departmental training sessions or further discussion

[Click here to complete a brief course evaluation.]