




Allocation Methodologies & Project Benefit

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Agenda

- Introductions & Allowability Review
 - Risk Based Approach
 - Determining Expense Allocation
 - Documenting Justifications
 - Transaction Reviews
 - Training & Outreach
 - Questions & Closing
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A photograph of three people in a laboratory or office setting. On the left, a man with grey hair and a beard, wearing a dark blue sweater, is leaning over a desk. In the center, a woman with blonde hair tied back, wearing a white lab coat and a blue lanyard, is looking down at a transparent, cube-shaped robot on the desk. On the right, a man with glasses and a blue button-down shirt is also looking at the robot. The robot is a small, transparent cube containing various electronic components and a camera lens. In the background, there are computer monitors displaying data, a desk lamp, and office cubicles. The overall lighting is dim and blue-toned.

INTRODUCTIONS

Allowability Review

Reasonable - 200.403 (a)

Allocable – 200.403 (f)

Consistent – 200.403 (d)

Conforms to Limitations – 200.403 (b-c)

Documented – 200-403 (g)



RISK

Using a Risk Based Approach

- Risk Assessment is Critical in a Sponsored World with:
 - Hundreds of Thousands of Transactions
 - Competing Priorities
 - Turnover and Understaffing
 - Repurposing Time for Proactive vs. Reactive Activities
- Treating Transactions according to Risk Level Acknowledges that Some:
 - Are Easily Identified as Being Project-Related
 - Have a Substantially Higher Dollar Value
 - Are Uncommon on Sponsored Projects

Proposal Budgeting

- Clearly Identify Anticipated Transactions
- Use Standard Escalation Rates for Expenses
 - Payroll
 - Fringe Benefits
- Spend More Time Justifying Non-Standard Expenses
 - Cost Accounting Standards Exceptions
 - Postage
 - Paper
 - “Unusual” Expenses
 - Birthday Cake
 - Puppet Show
 - A Truck
- Collaborate with Post-Award

A photograph of three people in a professional setting, likely a laboratory or office, examining a transparent, cube-shaped device. The device contains internal components, including a green circuit board and a camera lens. A man on the left, wearing a grey sweater, is pointing at the device. A woman in the center, wearing a white lab coat and a blue lanyard, is looking down at the device. A man on the right, wearing a blue shirt and glasses, is also looking at the device. In the background, there is a computer monitor displaying data, a desk lamp, and a glass partition. The overall lighting is dim, with a blue tint.

ALLOCATION

Proportional Benefit

An expense is **allocable** to a particular project if the goods or services involved are **incurred solely** to advance the work under such project. If an expense benefits two or more projects, it is necessary to determine a **method of allocation** and document the method utilized.

Solely vs. Multiple

Incurred **Solely**

“I need to purchase a beaker in accordance with my award to run a test required to complete the scope of work of the project.”

Benefits **Two+**

“I need to purchase a piece of non-capital equipment to assist me in completing the scope of work of three of my projects.”

NOTE: These are descriptions of needs, NOT sufficient documentation

Proportional Benefit Rule

- Many methods exist
- Reasonable allocation methodologies may include:
 - Usage
 - # of experiments
 - # of hours
 - Effort
 - Length of Project

Example #1a: Simplified

Cost of Non-Capital Equipment: \$500

Total Number of Awards Using Non-Capital Equipment: 2

- Grant A: Use time of 20 hours
- Grant B: Use time of 30 hours

Example #1a: Deficit

How does the prior example change if Grant B has a **\$200 available direct-cost balance**?

Cost of Non-Capital Equipment: \$500

Total Number of Awards Using Non-Capital Equipment: 2

- Grant A: Use time of 20 hours
- Grant B: Use time of 30 hours

Example #1a: Potential Results

REASONABLE

Allocate based on number of hours used

- $\$500 / 50 = \10 per hour
- Grant A Cost: $20 * \$10 = \200
- Grant B Cost: $30 * \$10 = \300
- **Total Cost: \$500***

**equivalent to total cost of equipment*

This scenario creates a \$100 direct cost deficit on Grant B. That deficit must be covered by non-sponsored funds.

Allocate based on Grant B balance

- Grant A Cost: \$300
- Grant B Cost: \$200*
- **Total Cost: \$500****

**equivalent to remaining grant balance*

***equivalent to total cost of equipment*

Amount charged to Grant B is purely based upon the available balance, and not the proportional benefit received.

Grant A is being over-charged for the piece of equipment.

UNREASONABLE

Managing Complexity

For Example:

- A college has purchased an annual software license for \$5,000
- They intend to share the expense across the college
- This license is specifically needed for two grants, but will also be used by other units
- The college will be subsidizing part of the cost

Some Considerations:

- What is a reasonable allocation method that can be used consistently across all funding sources?
- How will the subsidy be allocated?
- How much time is left on the grants?

A photograph of three people in a laboratory or office setting. On the left, a man with grey hair and a beard, wearing a dark sweater, is leaning over a desk and pointing at a computer monitor. In the center, a woman with blonde hair tied back, wearing a white lab coat and a blue lanyard, is looking down at a transparent, rectangular device on the desk. On the right, a man with glasses and a blue button-down shirt is also looking at the device. The device appears to be a small, complex electronic or mechanical assembly housed in a clear plastic casing. The background shows a modern office environment with glass partitions and a desk lamp. The overall lighting is dim, with a blueish tint, suggesting a late evening or night setting.

JUSTIFICATIONS

the Fifth step

- Allowability test is successful only if it is documented
- Each transaction should be able to stand on its own
- Provide Clear Business Justification or Cite Proposal Equivalent
- Risk Based
 - If the reasonability test is challenging, provide additional context/descriptions

Be Concise

- Share what is needed to clearly demonstrate allowability
 - DON'T attach the 100 page proposal
 - DON'T require sifting
 - DO reference the section of the proposal/award that supports the charge
 - DO describe how the transaction supports the award
 - DO be transparent
- *More Words <> More Allowable*



REVIEWS

Prior Approval Needs

- Compare spend needs to proposal
- Significant transaction type differences could indicate scope change
- Consider sponsor guidelines for prior approval

Before contacting sponsor, confirm your institution will even allow the transaction.

Check the Following:

- Sufficient budget balance
- Incurred within grant period
- Final invoice/report has not yet been submitted
- Appropriate accounting worktags used

Examine More Closely when:

- A split expense between grants perfectly consumes the balance of one of them
- Computer and equipment purchases near the end of the project
- Nothing budgeted for the category
- Travel during a period with no payroll

Automate where Possible

- Configure Transaction Routing based on Risk Levels
- Use reports to perform initial evaluation
 - Budget balance, grant time period, etc.
- Incorporate system blockers to prevent specific types of transactions from occurring

the Big Picture

Use Data Analytics to Identify:

- Awards with expenses on \$0 budget lines
- Rate of Cost Transfers to All Sponsored Expenses
 - By Count and by \$
 - By Department
- Transactions to Sample and Review
 - risk transaction categories
 - administration maturation of institution subsections
- Awards with lagging personnel charges
- Awards high/low burn rates (+/- 25%)

A photograph of three people in a laboratory or office setting. On the left, an older man with grey hair and a beard, wearing a dark blue sweater, is leaning over a desk and pointing towards a transparent case containing a small electronic device. In the center, a woman with blonde hair tied back, wearing a white lab coat and a blue lanyard, is looking down at the device. On the right, a younger man with glasses, wearing a blue button-down shirt and a blue lanyard, is also looking at the device. The desk has a computer monitor displaying data, a keyboard, and a desk lamp. The background shows a modern office environment with glass partitions and other people working.

OUTREACH

Spread the Word

- Distribute presentation
- Distill information into a quick 15-30 minute review session
- Provide details of routing and review practices
- Consider hosting allowability “office hours”
- Create a regular method of providing information and generating discussion
 - Blog
 - Newsletter
 - Standing Meeting

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QUESTIONS

Tri-University

Research
Administration
Conference



Thank You!

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