Proposal Budgets 201

Tri-University Research Administration Conference

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Presenters

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Session Objectives

- Grow understanding of policy requirements and distinctive cost categories

- How the centralized offices review budgets

- What to address at proposal stage to ensure seamless negotiation and award management
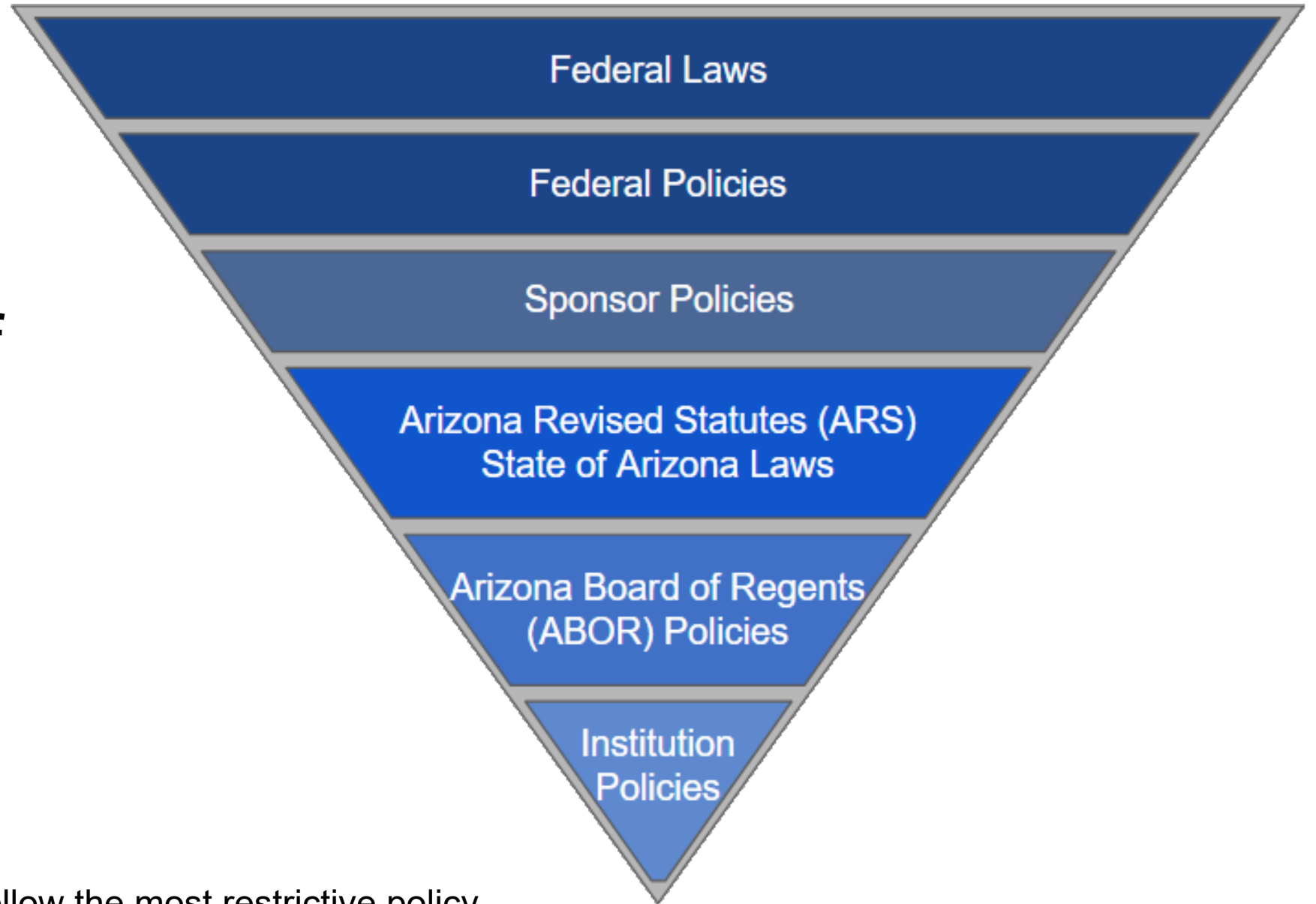
Common Budgeting Acronyms

FOA	Funding Opportunity Announcement	DC	Direct Costs
RFA	Request for Applications	TDC	Total Direct Costs
RFP	Request for Proposals	TC	Total Costs (aka Total Project Costs)
RFQ	Request for Quotes	MTDC	Modified Total Direct Costs
FAR	Federal Acquisition Regulations		
SOW	Scope of Work/Statement of Work	NICRA	Negotiated Indirect Cost Rate Agreement
ERE	Employee Related Expenses (aka Fringe Benefits)	DHHS	Department of Health & Human Services
FTE	Full-time Equivalent	CAS	Cost Accounting Standards
F&A	Facilities & Administrative Costs		

Remember-

- The University is the awardee.
  - Grants, cooperative agreements, and contracts are awarded to the awardee (the University) on behalf of the Project Director/Principal Investigator (PD/PI).
  - The University is ultimately responsible for the acceptance, performance, and expenditure of the award.

- The University is the steward of the award.
  - The University must ensure that the funds are spent in accordance with all applicable regulations and policies so that future awards are possible.

- The Project Director/Principal Investigator (PD/PI) is approved by the Sponsor and by the University.
  - Certain programs or sponsors may identify specific criteria for PI eligibility.
  - Different institutions have different guidance and criteria on who can serve as PD/PI. You must meet your institution's criteria.
  - The PD/PI directs the project or program and is ultimately responsible and accountable to the University for the proper conduct of the project or program.

Hierarchy of Governing Policies

Federal Laws

Federal Policies

Sponsor Policies

Arizona Revised Statutes (ARS)
State of Arizona Laws

Arizona Board of Regents
(ABOR) Policies

Institution
Policies

ASU, NAU, and UA will follow the most restrictive policy.

Factors Affecting Allowability of Costs

To be allowable under Federal awards, except where otherwise authorized by statute, costs must:

- Be necessary, reasonable, and allocable.

- Conform to cost principles or Federal award as to types or amount of cost items.

- Be consistent with policies and procedures that apply uniformly to federal and non-federally funded activities

- Be accorded consistent treatment as direct or indirect cost.

- Be in accordance with generally accepted accounting principles (GAAP).

- Not be included as a cost to meet cost sharing or matching requirements of any other federally-financed program.

- Be adequately documented.

Items of Cost

Advertising and public relations costs	Exchange rates	Professional services costs
Advisory councils	Fines, penalties, damages and other settlements	Proposal costs
Alcoholic beverages	Fund raising and investment management costs	Publication and printing costs
Alumni/ae activities	Gains and losses on disposition of depreciable assets	Rearrangement and reconversion costs
Audit services	General costs of government	Recruiting costs
Bad debts	Goods and services for personal use	Relocation costs of employees
Bonding costs	Idle facilities and idle capacity	Rental costs of real property and equipment
Collection of improper payments	Insurance and indemnification	Scholarships and student aid costs
Commencement and convocation costs	Intellectual property	Selling and marketing costs
Compensation – personal services	Interest	Specialized service facilities
Compensation – fringe benefits	Lobbying	Student activity costs
Conferences	Losses on other awards or contracts	Taxes (including Value Added Tax)
Contingency provisions	Maintenance and repair costs	Termination costs
Contributions and donations	Materials and supplies costs, including costs of computing devices	Training and education costs
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	Memberships, subscriptions, and professional activity costs	Transportation costs
Depreciation	Organization costs	Travel (Follow district policy - actual costs, or per diem)
Employee health and welfare costs	Participant support costs	Trustees
Entertainment costs	Plant and security costs	
Equipment and other capital expenditures	Pre-award costs	

Allowable?

- The PI has requested costs in a proposed budget to DOEd that includes eight tickets to a Diamondbacks game. The purpose of the award is cultural immersion for overseas students. Is this allowable?

- If the baseball game is overtly identified in the justification, is in support of the participant population, and can be specifically tied to the objectives of the sponsored program (necessary to perform the proposed work), then it can be considered an allowable expense.

- The same PI wants to book the Chase Field pool to reward project personnel. Is this allowable?

- No- there is no benefit to the research objective.
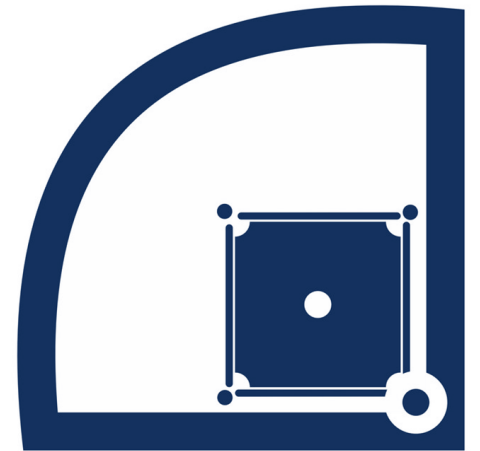
Reasonable Costs

- A cost is reasonable if, in nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The Uniform Guidance lists the following items to be taken into consideration in determining the reasonableness of a cost:

- Whether the cost generally recognized as ordinary and necessary for the operation of the organization or the proper and efficient performance of the award

- The requirements of sound business practices, arm's length bargaining; applicable laws and regulations, and terms and conditions

- Market prices for comparable goods or services for the geographic area

- Whether the individual acted with prudence

- Whether the institution significantly deviates from established policy and procedures, which may unjustifiably increase the award's costs

Allocable Costs

- A cost is allocable if the goods or services are charged to an award in proportion to the relative benefits received. The Uniform Guidance states the allocation standard is met if the cost:

- Is incurred specifically for the award.

- Is charged using direct cost allocation principles.
  - When a cost benefits multiple projects or a combination of projects and programs, and the cost can be distributed in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects or programs based on the proportionate benefit.
  - If the proportions cannot be easily determined, the cost may be allocable to the projects or programs receiving the benefit on any reasonable documented basis.
  - Allocation across awards cannot be based simply on funding availability.

Estimating and Transparency

- Consistency relies on established methods of estimation.

- Reasonableness relies on authentication of costs.

- Allowability relies on conformance.

- A transparent budget
  - Provides a clear and accessible basis of estimate
  - Identifies deviations from standard practice
  - Demonstrates accountability

Estimations and exceptions

Salary and wages

- Institutional Base Salary
- TBD employees
- Hourly Rates

Out-year increases

- Salary and ERE
- Other Direct Costs

Travel

- Lodging and Per Diem

Supplies, Services and Equipment

- 'Previous Experience'
- Internet Pricing and Invoices

CAS Exceptions

- Administrative Expenses
- Computing Devices
- General Supplies
- Other Electronics
- Phones
- Postage
- Subscriptions

Additional Cost Considerations

Workforce

- Student Employees

- Stipends

- Intra-University Consultants

- Subawards

Fellowships

- Compensatory v. non-compensatory

- When administered as Sponsored Project

- Institutional Allowances

- Tuition v. tuition remission
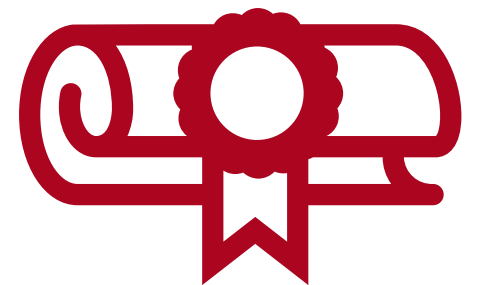
Fabricated Equipment

- Discrete item

- One-of-a-kind

- Complex construction

- Final function unique
  from individual components

Conferences

- Facility rental

- Intra-University events

- Food

- Attendee tokens
  and entertainment

Memberships

- Individual Memberships

- Memberships required for funding

- Institutional maintenance
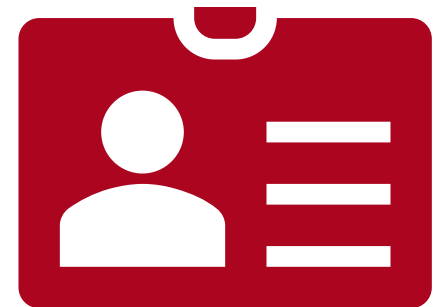
Data protection

- Safeguarding of unclassified controlled technical information

- Security outside of institutional standards

Patient Care

- Routine services

- Ancillary services

- Costs that should not be included in this category go under the "Other Expenses"

Cost Sharing

Voluntary v. Mandatory

- **Mandatory Committed** – required by the sponsor; must be documented, tracked, and represents a financial commitment by the institution to your project.

- **Voluntary Committed** – not required by the sponsor but committed in the proposal as part of the project; must be documented and tracked and represents a financial commitment by the institution to your project.
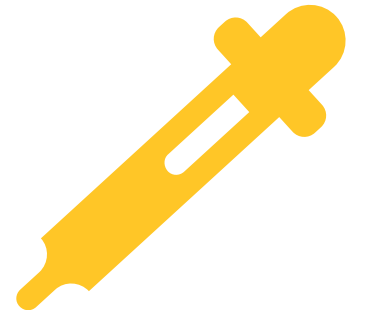
- **Voluntary Uncommitted** – not required by the sponsor and not committed in the proposal; generally does not need to be tracked and documented and does not represent a financial commitment by the institution to your project.

Total Requested Cost v. Total Project Cost

- Calculating Cost share for a project with $1,000,000 in federally requested funds with a minimum 20% non-federal cost sharing requirement:
  Non-federal share ($) divided by total project cost ($) = non-federal share (%)
  $250,000 divided by $1,250,000 = 20%

- Calculating 1:1 cost share- 100% of total requested costs. For every dollar you request, you need to contribute one dollar.

Leverage

- Not cost share

Indirect Costs

MTDC, TDC and TC base

- **Modified Total Direct Costs (MTDC)**
- The institutions' default cost basis excludes certain categories from F&A cost calculations. Be sure to verify and utilize the specific exclusions for your institution.
- **Total Direct Costs (TDC)**
- The Facilities & Administrative (F&A) rate will be applied to all direct projects costs without exclusion.
- **Total Costs (TC)**
- Often stated as a percentage of total budget, you must calculate the amount of F&A allowed based on the funding limit and then use that to determine the TDC rate to apply to the direct costs

Verifying limitations

- Published and consistently applied
- Precedence or post-submission determination will not qualify a rate

Cost Sharing Unrecovered Facilities & Administrative

- Is cost sharing required?
- Is using unrecovered F&A allowed?

Restricted rate yields higher F&A

- 40% x TDC = $40,000
- 53.5% x MTDC = $35,000

F&A Waivers

Budgeting across project years

"A Great Proposal"			6/1/2013						
		ASU FY	FY2013	FY2014					
		CY	2013						2013
		Month	June	July	August	September	October	November	December
		Phase	Phase C	Phase C	Phase C	Phase D	Phase D	Phase D	Phase E
Personnel Per Month									
PI			0.00	1.00	1.00	0.00	0.00	0.00	0.00
Project Manager				0.50					
Technician				0.40					
GRA				1.00	1.00	0.50	0.50	0.50	

Funding Source Considerations

Transfer of Sponsored Projects

- Actions taken by former institution

- Actions taken by RA

- Proposal review and approval
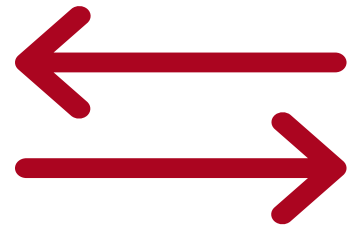
Foreign Sponsors

- Currency Fluctuations

- Conversion Fees

- Value Added Tax

Industry Sponsors

- F&A Rate

- Payment Terms

- IP Licensing

Charitable Grants

What it is

As determined by the Federal Tax Code, charitable gift/grants are voluntary donations to tax-exempt organizations to support activities for religious, charitable, scientific, literary, or educational purposes. Unrestricted gifts are discretionary funds for a general area of work without specific spending requirements. Charitable gifts/grants managed as sponsored projects are restricted gifts that support a specific project/scope of work.

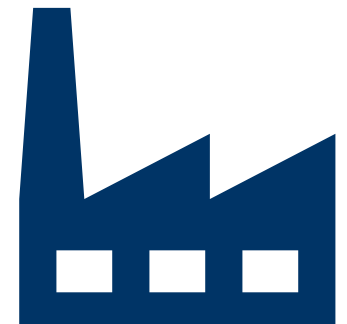## What it is not

A charitable gift/grant is not an exchange transaction having potential commercial benefit or profit that does not support charitable purposes.

Charitable proposal management

Unrestricted gifts are reviewed, accepted, and administered by the university's foundation and the unit. Charitable grants are processed using same procedures established for sponsored projects.

Budgeting considerations

For charitable gifts/grants that are funded by industry (except where there are federal flow through funds involved), IRB fees for human subjects protocol review apply.

Budgets which include funds for administrative costs may require a statement identifying that a percentage of the funds are paid to the university foundation in consideration for their services in support of this project.

Contracts

Federal Acquisition Regulation

Procurement: funds appropriated by Congress for agencies to conduct business; used by the government to procure goods and services.

Request for Proposals (RFP) or Request for Quote (RFQ).

Sponsor determines Scope of Work; Proposals are used to evaluate Prospective Offers.

Firm Fixed Price

When costs can be estimated reasonably accurately. Acquisition of supplies or services is on the basis of reasonably definite functional or detailed specifications.

Personnel	$30,294
Services, Supplies/Equipment	$5,675
Travel	$2,430
Other costs	$3,001
Total Project Cost	**$41,400**

Loaded Rates

Salary + ERE + F&A= loaded rate

The RFP/RFQ process

Labor category pricing

Best and final offer

Current Cost and Pricing Data Certification

Definition

"Cost or pricing data" refers to all facts that can reasonably contribute to the soundness and validity of estimates of future costs and, thereby, can be considered during price negotiations.

Relevance

A Certificate of Current Cost or Pricing Data is required of educational institutions from federal agencies (other than DOD) that will award via contract equal to or exceeding $2,000,000.

- For contracts less than the threshold, a Certificate is required once contract is modified to equal or exceed it.

- Sponsor requirement for this certification is stated in FOA or in the list of Federal Acquisition Regulations clauses.

A certificate is prepared after proposal is selected for award and the Contracting Officer and Contractor agree upon cost. But occasionally, a certificate is requested as part of proposal submission. A new certificate will be required after award T&Cs and contract cost are agreed upon.

What is Cost or Pricing Data?

Objective, verifiable information, relevant to evaluate proposed budget and future costs. Examples include:

- Payroll screen prints or job posting with salary range for TBD

- Federally-negotiated rate agreement

- Vendor quotes and Catalogue prices

- Links to recharge center instrument use rates

- Justification for utilizing non-campus expertise, e.g., subcontracting with external organizations, contracting with technical vendors

Small Business Subcontracting Plan

The Plan

A SBSP includes the amount of funds earmarked for the businesses, the method for determining the allocations and activities applicant use to engage the businesses.

Relevance

Recipients and Sub-recipients of Federal contracts greater than $750,000 are required to develop and implement a SBSP in accordance with the Federal Acquisition Regulations clauses 52.219-8, 52.219-9, and applicable Sponsor FAR Supplements.

Federal Agencies require Contractors to offer "maximum practicable opportunities" to engage small businesses in contracts exceeding the threshold. If small business procurement goals are not met during project implementation, the University may be penalized.

An Individual Contract Plan is developed for a specific sponsored project during pre-award phase of the life cycle. The responsibility for developing an ICP depends upon when Sponsor requires it (prior or after proposal is selected for award) and when the proposal budget is finalized.

Institutional Review and Post-Submission

Central Office Review

- Ensure that the F&A rate is correct. Any exception to a fully burdened F&A is qualified by at least one of the following:
    - The funding announcement
    - Sponsor website
    - F&A Waiver
    - Accepted Sponsor Limitations
- Ensure the correct base- TDC, MTDC or TC
- Ensure off-campus F&A rates are used appropriately
- Confirm that recharge center rates are correct
- Check that project amount and the period of performance is consistent within all sections of the application
- Confirm that sponsor budget limitations are met
- Check that total budget amounts and project period dates are consistent within subaward budgets
- Barring sponsor restriction, institutional escalation factors are utilized
- Consider Cost Accounting Standards qualifications.
- Confirm that Participant Support Costs are correctly categorized
- Budgets in excess of certain annual direct costs (e.g. $1M) undergo additional scrutiny
- Ensure graduate personnel are correctly budgeted and justified based on institutional policy

Sample Central Office Checklist

Document Number		Date	
Due Date		Principal Investigator	
Lead Unit		Initiator	
Key Personnel		Status	
Other Units		Opportunity Number	

Proposal Summary

☐ **Cost Share**	☐ **Title Format**
☐ **Electronic Log** ☐ Yes ☐ No	☐ **Project Period:**_____
☐ **Custom Data Tab**	☐ **Off Campus Location**
☐ UA Approved Rates	
☐ Non-Approved Rate_____	_____

☐ **Questions**

- ☐ If Non-Approved Rate
  - ☐ Stipulation
  - ☐ Waiver   Leave note (OSP Final, Route proposal to VPR for Waiver Request approval.)

  - ☐ Human Subjects
  - ☐ Animal Subjects
  - ☐ None

☐ rDNA: Ad-Hoc Route Acknowledge to ORCBS Leave Note (Ad-Hoc Route rDNA, Routed to ORCBS for rDNA.)

☐ NPA: Ad-Hoc Route Acknowledge to Native Person Affairs Leave Note (Ad-Hoc Route NPA, Routed to NPA) send email to Claudia Nelson.

Special Review Tab
- ☐ Human Subjects
- ☐ Animal Subjects
- ☐ None

Proposal Type
- ☐ New
- ☐ Revision
  - ☐ Add Award ID
  - ☐ Confirm whether proposal will need a sibling account
- ☐ Resubmission
  - ☐ Add IP ID, grab IP from cabinet and leave note, (Resubmission, Replaces IP, which has been pulled)
- ☐ Renewal (Competing)
  - ☐ Add Award ID
- ☐ Administrative Change ($0)
  - ☐ Add Award ID

Activity Type
- ☐ Research
- ☐ OSA (47%)
- ☐ Research Training
- ☐ Instruction (50%)
- ☐ Research   Industry (61.6%)
- ☐ Clinical Trial (25% TDC)

Is an Award attached?
- ☐ Check for Log Number?
- ☐ If not logged send to front desk and leave note (Note, Negotiation ID will be added shortly.)

Is COI Language Present?
- ☐ Ad-hoc route Acknowledge to COI. Send email to coi@email.arizona.edu

☐ Percentage Effort:_____   ☐ Signature Required?

Budget
- ☐ Approved ERE Rates
- ☐ GRA Tuition Correct and Excluded
- ☐ F&A correctly calculated
- ☐ If Subcontract (Budget, justification, SOW)

Justification
- ☐ Personnel effort match budget / key personnel
- ☐ All budgeted costs are justified
- ☐ ERE and F&A paragraphs are included

Budget Versions
- ☐ Budget Versions and Budget Match
- ☐ If Cost Share
  - ☐ Cost Share Budget Uploaded
  - ☐ Included in BVT

F&A Rate Type
- ☐ MTDC ☐ TDC

On/Off Campus Flag
- ☐ On ☐ Off_____

Ensuring a smooth review

- Communicate with your assigned officer

- Use consistent form of communication to ensure documentation of resulting conversation

- Get the proposal to grant officer when the budget and justification are final

- Confirm all cost share approvals are complete prior to requesting submission

- The Grant Officer will not confirm PI limitations on proposals, so please pay special attention to those limits

- Please make sure:
  - The correct FOA is referenced
  - The correct direct (and prime) sponsor is identified
  - Funds included in Travel section should be for university personnel only. Non-university personnel should be consultant travel or participant support, depending on the project

- Review FOA and ask early for central office support

     This could include….

     Requesting an RFP review

     If Reps and Certs are included in proposal

Post-submission changes

- Verifying Costs

- Reducing Costs

- Impact Statement

Pre-Award Spending

- Expanded Authority

- At-Risk Accounts

Ensuring a smooth transition to award

Pre-Award Challenges

- Rushed/Last minute proposals

- Limited details/Limited funding

- Scope of work not fully developed

- Using old budgets as a standard for development of new proposal budgets

- Budgeting to avoid providing additional documentation

Post-Award Challenges

- Estimates vs Actuals

- Constant re-budgeting for unexpected costs

- Not enough funds to support the project needs

- Time consumed in trying to understand how to handle an expense/purchase

Impact on Post-Award

- Insufficient funds

- Disallowances

- Loss of confidence

- Increased frustrations

- Additional funding requests

Ensuring a smooth transition to award cont'd

Personnel

Potential Impacts –

- Excess budget costs due to incorrect position type
- Different ERE rates, tuition, & salary amount
- Unallowable costs or get sponsor approval

Potential Strategies –

- Create a visual table that outlines standard costs for common positions
- Avoid budgeting TBD personnel when possible
- Avoid using goal seek for budgeting hourly

Capital Equipment

Potential Impacts –

- Insufficient funds for unaccounted costs (custom fees; renovation, installation, freight)
- Not truly capital equipment resulting in unexpected full F&A
- Only partial costs are capitalized resulting in unexpected F&A

Potential Strategies –

- Talk with your post award administrator to help identify potential issues or unaccounted costs
- Go with your gut and budget with F&A if its not clear
- Review quotes as early as possible to identify hidden costs
- If no quote or sufficient time be sure to communicate possible negative impacts to budget at award

Subcontracts

Potential Impacts –

- Additional administrative burden
- Increase in unexpected institutional costs
- Unallowable costs
- Difficulty in covering costs due to delays
- Behind on project spending

Potential Strategies –

- Communicate with PIs about best practices and budgeting collaborators appropriately based on role
- Be aware of go/no go milestones and think about impact if milestones are delayed or not met
- Avoid assumptions. Assuming leads to additional/unexpected costs

Participant Support

Potential Impacts –

- Disallowance of certain expenditures
- Possible reduction in funding
- Audit findings

Potential Strategies –

- Ensure the activity you are budgeting is truly participant support
- Seek guidance from your post-award administrator
- Understand sponsor guidance
- Explain the risks to faculty

Ensuring a smooth transition to award cont'd

Cost Share

Potential Impacts –
- Increase/decreased commitments
- Challenges in meeting invoicing requirements timely
- Additional work for tracking and problem resolution

Potential Strategies –
- Understand sponsor requirements for cost share
- Budget based on when the project needs the items
- Ensure items are trackable, allowable, and incurred during the period of performance

Other Expenses

Potential Impacts –
- Increase in unexpected costs due to incorrect rates used
- Difficulty in providing back-up to sponsor/justifying costs
- Unallowable expenses/additional effort in obtain approvals

Potential Strategies –
- Understand where the sponsor budget categories will expense in your system for reporting
- Check sponsor requirements for prior approval to rebudget
- Communicate any potential impacts to budgets if not fully costing out the budget.

Summary of Strategies

- Be proactive!

- Balance as best as you can

- Be diligent and cost out your budgets

- Communicate to minimize issues

- Take initiative to learn how things are expensed at ASU

- Be patient and flexible

Additional Resources

ASU

- http://funding.asu.edu
- https://researchadmin.asu.edu/
- https://researchadmin.asu.edu/acronyms-and-glossary
- https://researchacademy.asu.edu/
- https://research.asu.edu/researcher-support

NAU

- https://in.nau.edu/osp
- https://in.nau.edu/osp/who-is-my-osp-contact/
- https://nau.edu/university-policy-library/research/
- https://in.nau.edu/osp/forms-worksheets-tools/
- https://in.nau.edu/osp/frequently-requested-information/

UA

- https://rgw.arizona.edu/development/rds-new-homepage
- https://rgw.arizona.edu
- https://rgw.arizona.edu/administration/getting-started
- https://rgw.arizona.edu/administration/build-budget
- https://research.arizona.edu

Tri-University
Research
Administration
Conference

More questions?

- sarah.gates@asu.edu
- rachelrice@email.arizona.edu

Thank you for attending!

- Please don't forget to complete the session survey to let us know how we did.

- You will receive a single Qualtrics survey this evening for all Day 1 sessions.

- The survey will be open until Sunday at 11:59pm and then will automatically close and record any partial responses.