

STAR PROGRAM LOGISTICS

STAR Certificate consists of 11 courses. To obtain a certificate, you must complete all 11 courses within two (2) years.

Please reach out to training@research.ucsb.edu for any exceptions.

For any STAR Program questions: contact Betsy Lazarine and/or Clarissa Cabrera at training@research.ucsb.edu

Zoom Classes will not be recorded for this 2024 series.

Reminder to complete the STAR Evaluation. Emailed to registered participants via UCLC.

Star Class

Cost Accounting Standards and Costing Principles

- Otilia Rodriguez
- Award Management Supervisor , Extramural Funds Accounting
- Pamela Cabrera
- Assistant Manager, Extramural Funds Accounting
- January 31, 2024

Agenda

- I. Quick Basic Award Financial Overview
- II. Cost Accounting Standards
- III. OMB Uniform Guidance
- IV. Business & Finance Bulletin A-47
- V. UCSB Departmental Costing Guidelines
- VI. Costing Principles
- VII. National Science Foundation Audit



Roles of Specific Units for C&G Award Administration

Sponsored Projects Office – part of Office of Research.

Responsible for the handling of faculty research proposals, specifically for preparing, interpreting, negotiating, and accepting agreements on behalf of the Regents for projects funded by federal and state agencies, foundations, and other public and private sources.

Responsible for accepting and processing all extramural contracts and grants awarded to UCSB for the conduct of sponsored projects, including modifications, amendments, continuations, renewals, and extensions of existing contracts and grants

As general guidance , OR will also provide a general summary of the award terms and conditions to assist the Principal Investigator and Department in the administration of the award; *however*, the award summary will not address every contract or grant term.

The principal investigator and the department are responsible for reading, understanding and adhering to each term of the award document.

Roles of Specific Units for C&G Award Administration

Extramural Funds Accounting (EMF) – part of BFS.

Responsible for account set-up and processing in the campus financial system. Each award is given it's own fund number with corresponding Expense, Revenue and Unexpended Balance accounts.

Responsible for further distribution of the award documents to the Principal Investigator, the administering department or ORU, and other affected campus administrative offices .

The unit provides financial reporting, cash management, accounts receivable, gift processing, effort reporting, review high risk expense transfers for compliance, cost share monitoring, and support to departments in managing Extramural funds.

- [EMF](#)

Roles of Specific Units for C&G Award Administration

Administering Department or ORU.

Responsible for assuring that all financial transactions related to an award are reviewed, approved, and processed according to University policies and procedures.

Assists Principal Investigators in determining that financial transactions are consistent with major cost principles for contracts and grants adhered to by the University such as those costs occurring in accordance with Uniform Guidance.

Must determine an unrestricted fund source to cover any non-payments or disallowances by sponsors.

The principal investigator and the department are responsible for reading, understanding and adhering to each term of the award document.

Roles of Specific Units for C&G Award Administration

Principal Investigator.

- The PI has primary responsibility for the:
- Scientific integrity and management of the sponsored project,
- Financial management of project funds,
- Adherence to all internal University policies, and
- Adherence to externally imposed sponsor terms and conditions including reporting and record keeping requirements contained in the award document. This includes, but is not limited to: conducting all work under the award in a timely and professional manner; for adhering to all compliance regulations and procedures; assuring compliance with the terms and conditions of the award that affect project performance; assuring that the project's performance is consistent with relevant University policies on matters such as publication of research results, disclosure of inventions, and environmental health and safety; maintaining budgetary control through the use of appropriate departmental or ORU staff and resources; assuring that costs incurred are reasonable, allowable, and allocable to the project; and complying with all progress and other technical reporting requirements specified by the award terms and conditions.

The principal investigator and the department are responsible for reading, understanding and adhering to each term of the award document.

Roles of Specific Units for C&G Award Administration

Procurement Services.

- Procurement Services is responsible for contracting for requested goods and services for the University at the best price and quality available. We also process revenue contracts for non-research services departments provide to the outside community.
- Must follow all required Federal guidelines for all purchases made from Federal and Federal-Flow-Through fund sources.
- PSAs are handled in this area as well.
- [PS](#)

Roles of Specific Units for C&G Award Administration

Human Resources

- [HR](#)

Academic Personnel

- The Office of Academic Personnel is a service organization whose mission is to facilitate the recruitment, appointment, advancement, and development of outstanding and diverse faculty and academic appointees.
- The Office of Academic Personnel interacts with the Office of the President, the Chancellor, Executive Vice Chancellor, Associate Vice Chancellor, Colleges, Departments, and academic employees to develop, analyze, interpret and implement academic personnel policies and procedures.
- The Office of Academic Personnel provides training to campus on handling Summer Salary payroll issues and Salary Cap payroll issues in UCPath, as well other academic payroll compensation issues.
- [AP](#)

Quick Review – The General Ledger

GL060 August

Departmental Report of Appropriations and Expenditures as of : 08/31/2019
 Year-end Adjustment Periods Included: No
 PI(s): ~~XXXXXXXXXX~~

Page : 1807

UCSB8

Account Title : PHYSICS RESEARCH
 Fund Title : NSF 1820938 ~~XXXXXXXXXX~~ 8/21
 Agency : NATIONAL SCIENCE FOUNDATION
 Award Number : 1820938
 FDP : Y

9/11/19 22:10
 Department : PHYS
 Account/Fund : 444063 - 21403
 Start Date : 09/15/2018
 End Date : 08/31/2021
 Closed : NO

Section 4 – Sponsored Program – Summary by Sub Account/Fund Group

Sub Account Title	SUB	Appropriation	Expenditure	Encumbrance	Balance	OD	Committed	IDC Rate
Employee Benefits	6	(41,229.00)	11,768.94	0.00	(29,460.06)		28.55%	J53.5%
General Assistance	2	(112,072.00)	25,944.91	0.00	(86,127.09)		23.15%	J53.5%
Sub Total Wages & Benefits		(153,301.00)	37,713.85	0.00	(115,587.15)		24.60%	
Equipment and Facilities	4	(7,000.00)	27,859.44	0.00	20,859.44	OD	397.99%	J53.5%
Foreign Travel subcontracts	7	(448,293.00)	79,932.86	248,360.14	(385,443.73)		73.23%	J53.5%
Supplies and Expense	3	(26,849.00)	1,414.90	0.00	(25,434.10)		5.27%	J53.5%
Domestic Travel	5	(1,850.00)	470.22	0.00	(1,379.78)		25.42%	J53.5%
Sub Total of direct costs		(637,293.00)	147,391.27	248,360.14	(241,541.59)		61.25%	
Overhead	Y	(104,706.00)	41,902.81	0.00	(62,803.19)		40.02%	
Total of all sub accounts		(741,999.00)	189,294.08	248,360.14	(304,344.78)		58.98%	

~~XXXXXXXXXX~~

Quick Review – Direct vs. Indirect Costs

Direct Costs are **expenses** that can be directly charged to an award. Rules and regulations dictate what can and can't be charged at many levels, starting at the federal level all the way down to an award-by-award basis.

Typical Direct Costs include:

Salaries & Wages, Fringe Benefits, Supplies, Equipment, Travel, Subcontracts, etc.

Quick Review – Direct vs. Indirect Costs

Indirect Costs are **expenses** that are not directly charged to an award. These are costs that are not easily allocated to an award.

Examples would be:

the salary of administrative staff (like us), utilities to run the university labs, phone lines, library costs, facility costs, etc.

They're necessary costs of UCSB running it's research, but the costs cannot be easily (or practically) allocated to individual awards. It would be impossible to do that.

Quick Review – Direct vs. Indirect Costs

To recover these types of **Indirect Costs**, UCSB negotiates an **IDC Rate** with the Federal government based on many factors. As of 7/1/2020, UCSB's IDC rate is **55.5% for on-campus** awards, and **26.0% off-campus** awards.

What this means is that depending on the award, qualified **Direct** expense charges can then often times (not always) generate a related **Indirect Charge** to the award (often times called **IDC** or **Overhead**). This is how we can recuperate these Typically F&A costs as part of IDC.

Quick Review – Direct vs. Indirect Costs

Object Code Summary for Sub Account 2

Obj	Description
-----	-------------

1000	WAGES - ACADEMIC - Direct Cost
------	--------------------------------

Overhead Rate

53.5%

Current Month Expenditure

15,813.06

Current Month Overhead

8,459.99

x

=

± DC

II) Cost Accounting Standards (CAS)

- Set of standards and rules set by the US Government for use in determining costs on negotiated procurements.
- HISTORY: In 1970, Congress established the original Cost Accounting Standards Board (CASB) to **1) achieve uniformity and consistency** in the cost accounting principles followed by defense contractors and subcontractors, and 2)

Cost Accounting Standards (CAS)

- 2) establish regulations to require defense contractors and subcontractors, as a condition of contracting, to **disclose in writing their cost accounting practices**, to follow the disclosed practices consistently and to comply with promulgated cost accounting standards. After adopting 19 standards, the original CASB was dissolved in 1980; the standards, though, remained active.

Cost Accounting Standards

- Cost Accounting Standards Board published regulations on **cost accounting standards for educational institutions**. The standards set forth principles for determining **direct**, **indirect**, **allowable**, and **unallowable** costs applicable to federal sponsored projects.

Cost Accounting Standards

□ Why are they required?

As noted in the Federal Register:

Based on information that some institutions of higher education were improperly allocating indirect costs to federal research programs and charging unallowable costs (directly) to federal awards...



Four Cost Accounting Standards Apply to Colleges and Universities

- 501: Consistency in Estimating, Accumulating, and Reporting Costs
- 502: Consistency in Allocating Costs Incurred for the Same Purpose
- 505: Accounting for Unallowable Costs
- 506: Cost Accounting Period

501- Consistency in Estimating, Accumulating, and Reporting Costs

- This standard requires that the practices used in accumulating and reporting actual costs on a contract or grant are consistent with practices that were used in estimating costs on the proposal.

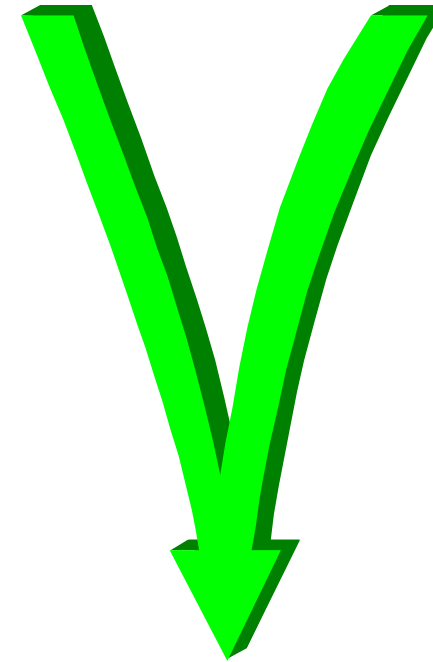


501 Requires that:

- UCSB's practices used for estimating costs in pricing a proposal (i.e., cost included in the proposal budget) shall be consistent with UCSB's cost accounting practices used in accumulating and reporting costs (i.e., costs charged to a contract or grant award)

502- Consistency in Allocating Costs Incurred for the Same Purpose

- This standard requires that costs incurred for the **same purpose**, in like circumstances, be treated consistently as either direct or indirect costs. This standard applies to all costs regardless of funding source.

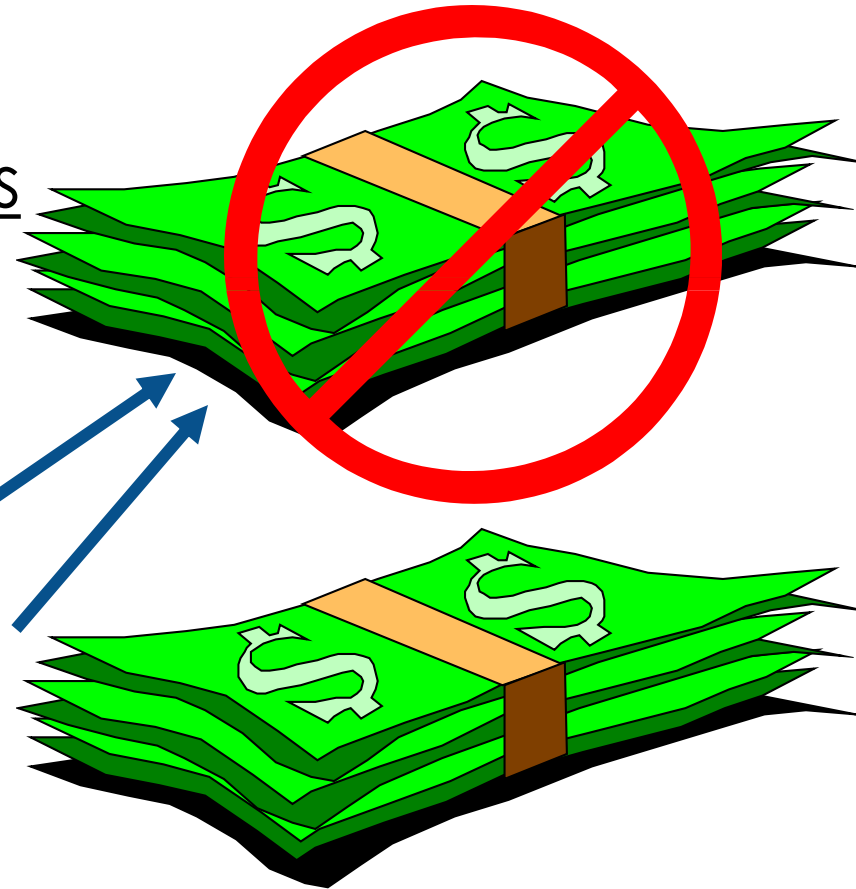


502-Requires that:

- Costs incurred in like circumstances should be consistently charged as direct or indirect.
- For example:
 - If long distance telephone charges are direct charged to a sponsored project, then all other remaining long distance charges should be charged to Instruction, or Departmental Administration, and be identified to the appropriate account/fund and object code.

505- Accounting for Unallowable Costs

- This standard requires that unallowable costs be identified and accounted for separately from allowable costs.
 - Unallowable Activities
 - Unallowable Transactions



Unallowable Activities

- Unallowable Activities may not be allocated to sponsored projects, either as direct or indirect costs.



Unallowable Costs

- Unallowable Costs may not be allocated to sponsored projects, either as direct or indirect costs; however, there are unique projects that may require these types of costs which must be coded correctly.
- Unallowable Costs are reviewed monthly by the EMF unit.

Object Codes for Unallowable Costs

- 7700 – Fines and Penalties
- 7710 – Donations and Contributions
- 7720 – Memberships/Subscriptions
- 7730 – Advertising
- 7740 – Medical/Health Care Payments
- 7750 – Social Activity – Entertainment
- 7751 – Non-Cash Awards/Gifts
- 7755 – Commencement & Convocation Costs
- 7780 – Attorneys/Legal Proceedings

506- Cost Accounting Period

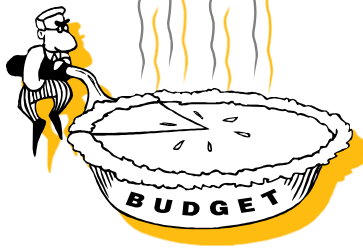
- This standard requires the consistent use of the same cost accounting period for purposes of estimating, accumulating, and reporting costs. The institution shall use their fiscal year as their cost accounting period for establishing an allocation basis in an indirect cost pool.
- Every Year, UC's Financial Statement Reporting, UG Single Audit, and other Annual Reports are always done for period beginning **July 1st through June 30th**.

CONCLUSION

REMEMBER!

- Also Standard 506 – Cost Accounting Period – FY

Standard 501
Consistency in
Estimating,
Accumulating,
and Reporting
Costs



Standard 502
Consistency in
Allocating
Costs Incurred
for the Same
Purpose

Standard 505
Accounting for
Unallowable
Costs



Disclosure Statement (Form DS-2)

- This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and
- persons completing it are to **describe the educational institution and its cost accounting practices.**

Disclosure Statement (Form DS-2)

- Disclosure Statements must be **amended** when disclosed practices are changed to comply with a new Cost Accounting Standard or when practices are changed with or without agreement of the Government.
- Amended Disclosure Statements are required when the F&A rate is negotiated.

III. - OMB Uniform Guidance Replaces A-21 Cost Principles for Educational Institutions

- Establishes principles for determining costs applicable to agreements with educational institutions
- It requires that:
 - All **Federal** agencies that sponsor research and development, training, and other work at educational institutions apply the provisions of the Circular in determining the costs incurred for such work.

How to Determine if a Cost is:

Reasonable, Allocable, and Allowable



Reasonable

- “A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.”

Questions to Determine Reasonableness

- Did the individual act with due prudence under the circumstances?
- Are the actions consistent with established institutional policies and practices?
- Is the cost generally recognized as necessary for the operation of the institution or the performance of the agreement?

Allocable

- “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.”

Questions to Determine if Costs are Allocable

- Can costs be easily allocated in proportion to the benefits derived by a specific project?
- Is the cost incurred solely to advance the work under the sponsored agreement?
- Does the cost benefit both the sponsored agreement and other work of the institution in proportions that can be approximated through the use of reasonable methods?

Allowable

- Costs must be:
 - Reasonable.
 - Allocable.
 - Given consistent treatment through application of generally accepted accounting practices appropriate to the circumstances.
 - In conformance with the limitations or exclusions for individual cost set forth in Uniform Guidance.
 - Individual award terms not restrict the charge.
 - Follow UC Policy guidelines.

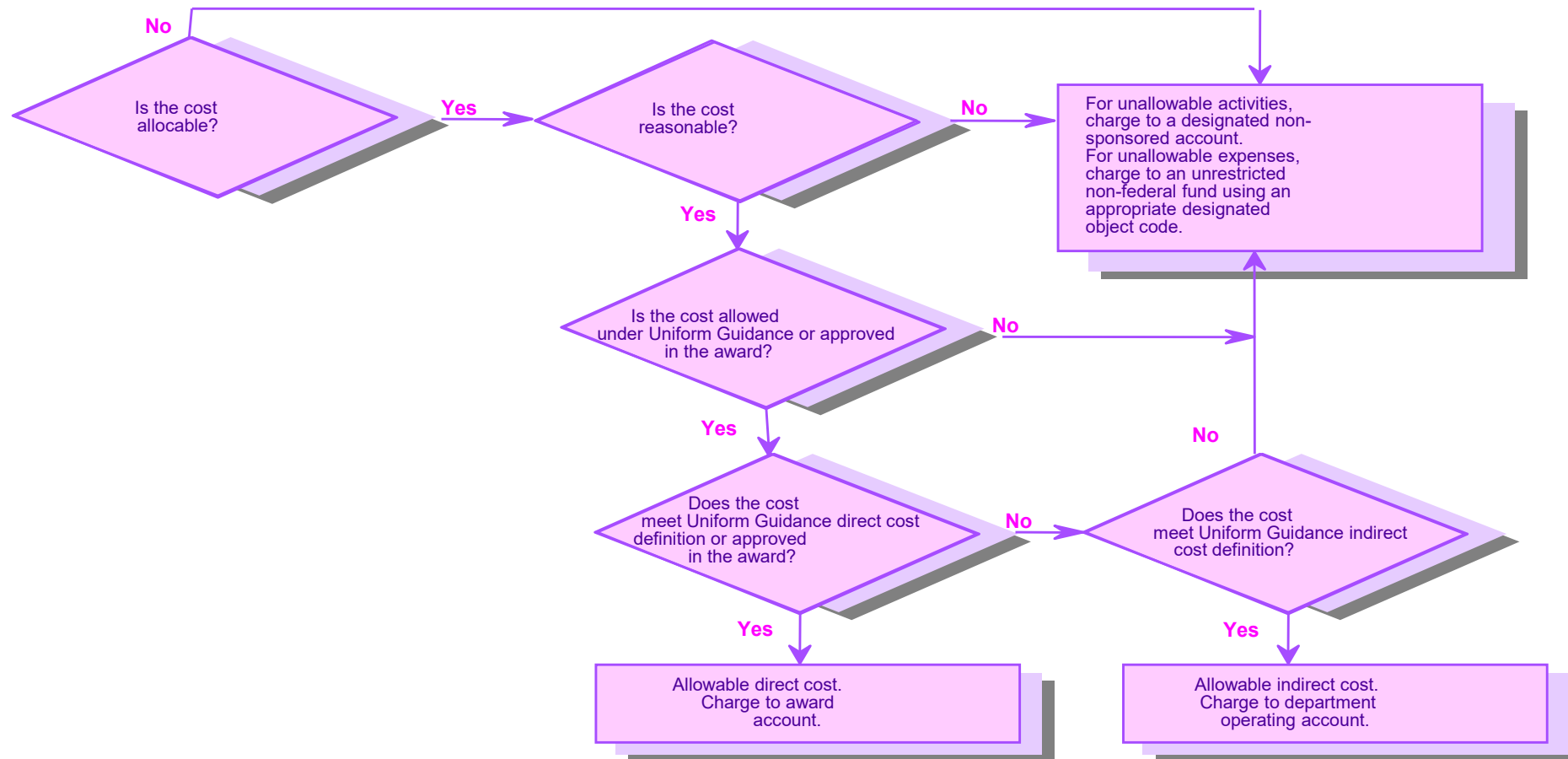
Questions to Determine Allowability

- Is it consistent with UC policy & practices?
- Is the cost in compliance with Uniform Guidance?
- Does the individual contract or grant terms indicate restrictions or not allowable?
- Is it easy to allocate for the cost as a direct expense?
- Does the cost benefit the project?
- Is the cost consistently treated?

To sum it up.....

- Costs must be necessary for the performance of the award or activity.
- Costs should be allocated to the users in proportion to the benefits received.
- Costs applicable to one award or activity may not be charged or shifted to another unrelated award or activity.
- Each transaction charged to an award or activity must include backup documentation.

Determining Cost Allowability & Classification





IV. Business Finance Bulletin A-47 – Published by UCOP

- University Direct Costing Procedures
 - Direct Costs
 - Expenditure Adjustments
 - Conditions
 - Criteria
 - Recharges
 - Definition

Business Finance Bulletin A-47

Expenditure Adjustment

1. Conditions

- Correct an error
- Change in decision
- Redistribute high volume, low cost
- Redistribute payroll costs based on a PAR

2. Criteria

- Must relate to individual items
- Contain the reference from the original charge
- Must be fully explained, justified, and approved
- Must be transferred within 120 days (4 ledger cycles)

Business Finance Bulletin A-47

Direct Charges

1. Direct charges are original transactions from various methods (i.e. payroll, vendor invoices, sub-recipient invoices, etc.)
2. Direct charges need to be transferred from the original account to another account (i.e. errors, decision changed, redistribute high volume low cost charges, & redistribute payroll costs based on effort reports).

Business Finance Bulletin A-47

Recharge Categories

1. Cost charged to a department for goods or services provided by another department.
2. Cost charged to self-supporting activities which are primarily funded by external income. (i.e. Summer Sessions).
3. Cost charged to a department for special services above normal services provided by a central admin department. These charges must be approved by the Chancellor.

V. UCSB Departmental Costing Guidelines

- The guidelines detailed in this document apply to accounting practices for all funds and fund sources at UCSB.
- Even though the force behind the guidelines is a need to comply with federal regulations, the requirement for consistency in all our practices, whether for federal or non-federal funding, is paramount.
- The campus, therefore, has one set of practices, policies, and procedures for all funds.

UCSB Departmental Costing Guidelines

Purpose of Departmental Guidelines:

- This document is a reference for UCSB departments to implement accounting practices that will result in consistency for charging costs to ***extramurally sponsored grants, contracts and all other fund sources***. Specifically, this document sets forth guidelines for the following:

UCSB Departmental Costing Guidelines

- Defining which costs may/may not be charged to extramurally sponsored projects
- Accounting for direct and indirect costs
- Managing sponsored project cost overdrafts
- Identifying when effort reports must be completed
- Defining appropriate use of university accounts for specific institutional activities (e.g., instruction, research)
- Accounting for transfers of expense (TOE)

VI. Costing Principles

- A. Direct Costs
- B. F&A Costs
- C. Major Projects
- D. Object Code Listing

A. Direct Costs

- Direct Costs are those costs which:
 - can be readily identified with a specific sponsored project or institutional activity.
 - may benefit one project, but not benefit another project.
 - the methodology used is easy to allocate based on benefit to the project.

Examples of Direct Costs

- Salaries and benefits (readily identifiable with a sponsored project or other institutional activity)
- Travel
- Scientific equipment



Costs Directly Charged to Awards

- PAYROLL
- EMPLOYEE BENEFITS
- TRAVEL
- FREIGHT
- RECHARGES
- TOLL CALLS
- RENTS
- FEES FOR SERVICES
- LAB SUPPLIES & MATERIALS
- EQUIPMENT
- INDIRECT COST

B. Facilities & Administrative Costs

- F&A COSTS are costs that cannot be specifically identified with a particular sponsored project or other direct activity such as instruction or research. These costs, instead, are generally related to departmental operations and administrative activities that support sponsored projects and other institutional activities.



Types of F&A Costs

- Utilities
- Library Costs
- Copy Costs
- Departmental Assistance
- Office Supplies
- Phone Charges, Local Calls, & Phone Equipment
- Other Communication Costs
- Postage Costs & Mail Services

Introduction to Indirect Costs at UCSB

- Developed by Vice Chancellor Witherell as a primer for faculty and staff on indirect cost recovery at UCSB
- Provides background and overview of indirect costs
- Covers
 - Why indirect costs are charged to contracts and grants
 - How indirect costs relate to UCSB expenditures
 - How indirect cost rates are calculated

Is it a **DIRECT COST OR F&A?**

- Computers
- Office Supplies
- Phone Lines/Phone Equipment
- Internet Connection
- Copy Charges
- Mail Charges
- Recruitment Advertising
- Business Officer Salary

C. Object Code Listing

- The codes are used to classify expenditures.
- Provides a more detail breakdown than the sub account (i.e. salaries, benefits, supplies...
- Used primarily in the preparation and control of budgets.
- Used to accumulate expenditures for the annual financial report and special studies.
- F&A Rate

C. Object Code Listing Example from Ledger

Summary by Object Code

Obj	Description	Current Month Expenditure	Year-to-Date Expenditure	Cumulative Expenditure
1000	WAGES - ACADEMIC	15,813.06	24,565.98	63,176.49
2000	TRAVEL	0.00	0.00	1,441.51
2100	TRAVEL - CONFERENCE FEES	475.00	475.00	475.00
3800	OVERHEAD-CONTRACT&GRANT	18,891.18	25,249.75	59,889.99
7280	SERVICES - DEPARTMENT RECHARGE	0.00	0.00	120.00
7300	3RD PARTY COSTS EXCLD FROM OH	28,855.81	28,855.81	28,855.81
7305	3RD PARTY COSTS INCLD IN OHEAD	15,207.74	15,207.74	25,000.00
8000	SUPPLIES & MATERIALS - OTHER	280.13	280.13	559.19
8231	OE-EMPLOYER UC OPEB CONTRIB-UC	174.73	349.18	1,045.27
8300	SOCIAL SECURITY REGENTS CONTR	386.98	773.04	2,293.06
8310	MEDICARE	191.72	282.02	637.53
8500	WORKER COMPENSATION INSURANCE	180.27	280.05	781.97
8520	UNEMPLOYMENT INSURANCE	7.93	12.31	50.88
8530	EMPLOYEE SUPPORT PROGRAM	74.29	109.83	246.56
8600	UCRS - REGENTS CONTRIBUTION	905.98	1,810.56	5,291.00
8630	UCRP SUPPL ASSESS-Principal	67.95	135.80	401.79
8650	FACULTY SUMMER SALARY	214.95	214.95	214.95

Object Code Summary

- ✓ The correct use of object codes is critical to the accurate identification of costs that should, and should not be included in the campus indirect cost pool.
- ✓ Identify whether a cost is reasonable, allowable, and allocable and indicate the correct object code charged to a project.
- ✓ Identify unallowable costs and code them properly.

Subcontracts/Subgrants

- Subcontract is an award made to a third party outside the University to perform a portion of the scope of work on a project.
- Subcontracts are given a unique KK number by Office of Research.
- Expenditures of \$25,000 or less will be charged F&A at the negotiated rate(7305).
- Subcontract expenditures over \$25,000 for the same third party will be excluded from additional F&A charges (7300).

VII. – National Science Foundation Audit

- September 2010 Audit Initiation - The University was notified regarding the audit.
- 3-Year Audit Period – 2008-2010
- Fieldwork 2010-2011
- Final Audit report September 28, 2012

September 2012 NSF-OIG Audit Report Findings

Audit Results – \$6.3 Million Is Questioned
Because UCSB Did Not Comply with
Federal and NSF Award Requirements

Findings

-Over \$1.9 Million of Overcharged Summer Salaries

-Over \$2.8 Million of Excess Federal Cash Disbursements Resulted From Not Fulfilling Grant Cost Share Requirements

Findings

- Approximately \$500,000 of Inappropriate Cost Transfers Into NSF Awards
- Over \$473,000 of Indirect Cost Overcharges to NSF Grants

Findings

-\$440,000 of Unallowable Costs
Charged to NSF Grants

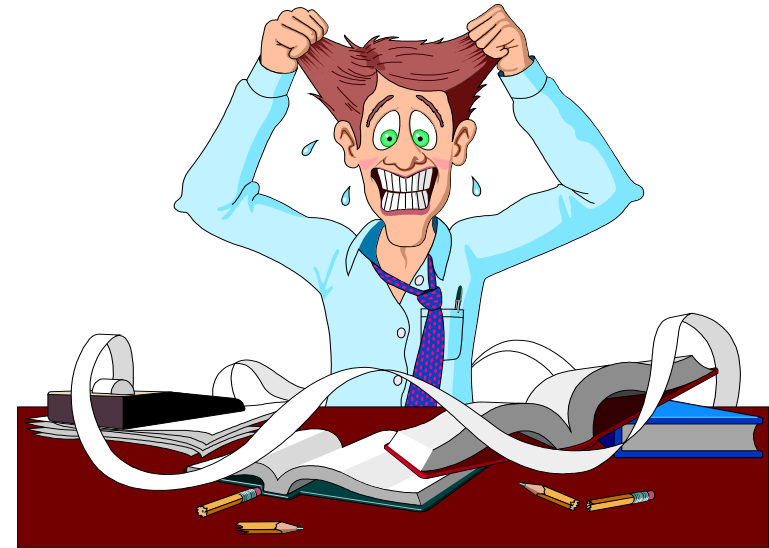
-UCSB Used \$180,000 of Remaining
Fellowship Funds for Non-Award
Purposes

Final Resolution:
UCSB returned
\$43,000 of
disallowed costs

OVERVIEW

What can you do?

- Understand OMB Uniform Guidance and the Costing Principles
- DS-2
- Be aware of additional award restrictions.
- Exercise Good Judgment
- Demonstrate Accountability
- Strengthen Internal Controls
- Document! Document! Document to Justify Allowability!



Resources

- OMB Uniform Guidance - [UG](#)
- Business Finance Bulletin A-47 - [BFB](#)
- Departmental Costing Guidelines - [DCG](#)
- Object Code Listing - [OC](#)
- Disclosure Statement (Form DS-2) - [DS2](#)

F&A

- IDC Rate Agreement – [IDC](#)
- Introduction to IDC by V.C. Witherell - [Intro IDC](#)
- Typically F&A Listing - [F&A](#)

Additional Resources

- Equipment Management-John Pavia
 - John.pavia@ucsb.edu
- Travel-Annette Gonzales
 - annette.gonzales@bfs.ucsb.edu

QUESTIONS??

