

**GRANT COORDINATOR MEETING 2/15/07  
SPONSORED PROGRAMS ACCOUNTING (SPA)**

**CALCULATION OF F&A/INDIRECT COSTS AND IDC CODES**

It has come to our attention in the past few months that some departments may not completely understand how indirect costs are calculated. Before a department starts spending into the unspent balance for indirect costs, please calculate the amount of indirect costs that should have posted on the account or contact your Sponsored Programs Accountant for assistance.

The first thing to note when calculating indirect costs is the indirect code. This can be found in the ADIN FM system by double clicking on the (white) underlined “Indirect Costs” budget category on the FR screen or by accessing the FA screen.

In WebFM, the code is found in the Sponsored Programs Indirect Cost Detail screen.

Indirect Codes:

- 01 – Indirect costs calculated on actual salaries, wages and benefits
- 02 – Indirect costs calculated on total direct costs incurred (includes equipment, tuition and subcontracts)
- 03 – Indirect costs calculated on total direct costs less equipment, tuition, and subcontract costs exceeding \$25,000 (referred to as Modified Total Direct Costs or MTDC)
- 08 – Indirect costs calculated on costs incurred with designated SP Budget Codes (Two characters bolded for each budget category on the SP financial report)
- 09 – Indirect costs calculated the same way as Indirect Code 03 LESS costs incurred with designated SP Budget Codes

The second item to consider is F&A Charge indicator that can be set to “Yes” or “No” by SPA. If this indicator is set or changed to “No”, then no indirect costs will post to an account (even when indirect costs are budgeted). This F&A Charge indicator can be viewed in WebFM on the Award Summary screen.

Example:

The indirect cost indicator was changed to “No” by SPA in error in August 2006. This error was discovered in February 2007. Indirect costs will post again at the end of February. Indirect costs posted to this account from June 2005 to July 2006. Direct costs posted to this account from June 2005 to January 2007. The following is the Indirect Cost Detail screen from WebFM:

Indirect Cost Detail							
Base	Rate	Indir Bdgt Amt	Indir Spent Amt	Unspent Balance	Indir Code	Add/Subt	
25,688.00	47.00	12,074.00	3,122.97	8,951.03	03		
Award Total = \$38,666		Total Direct Costs Budget = \$26,592 includes \$904 Tuition					
MTDC = \$25,688 (\$26,592 - \$904)		Indirect Costs Budget = \$12,074 (\$25,688 * 47%)					
From 1/31/07 SP Financial Report--							
Total Direct Costs Incurred: \$35,609.43				Total IDC Charged: \$3,122.97			
Total All Costs Incurred: \$38,732.40				Tuition Costs Incurred: \$2,664.50			

#### CALCULATION OF IDC:

IDC Code = 03

MTDC = \$32,944.93 = Total Direct Costs Incurred less Tuition Costs Incurred  
( $\$35,609.43 - \$2,644.50$ )

IDC Rate = 47%

IDC Calculation:  $\$32,944.93$  (MTDC) \* 47% = \$15,484.11 (exceeds Indirect Costs Budget)

IDC that should have been charged = \$12,074

Note: ISU has a policy of only charging indirect costs up to the amount budgeted for indirect costs, which applies in this example.

Even though this account “appears” to be overspent by only \$66.40, it is truly overspent by much more than that amount. If all the tuition costs incurred remain on this account, the account is actually overspent by \$8,454.11.

For those idc nerds out there:

$\$38,666$  (Total Award) –  $\$2,664.50$  (Actual Tuition Costs) =  $\$36,001.50$

$\$36,001.50 / 1.47$  (IDC Rate) =  $\$24,490.82$  (MTDC)

$\$24,490.82$  (MTDC) \* .47 (IDC Rate) =  $\$11,510.68$

Direct Costs:  $\$27,155.32$  (MTDC + Tuition)

Indirect Costs:  $\$11,510.68$

Total Costs:  $\$38,666.00$

Amount Overspent:  $\$8,454.11 = \$35,609.43$  (Total Direct Costs) less  $\$27,155.32$  (Direct Above)

When reviewing your sponsored programs (4xx) accounts, please consider whether indirect costs are calculating correctly. If you are having difficulties determining what amount should have posted for indirect costs, please contact your Sponsored Programs Accountant.

#### **RECENT NSF INQUIRIES OF ISU AWARDS**

In August of 2006, ISU was asked to provide information on an award as part of a National Science Foundation (NSF) OIG review of grants that included international collaboration during FFY04. The purpose of that review was to assess compliance with laws, regulations, and award conditions. NSF OIG requested information on ISU’s accounting and records system, and also source documentation to support all charges made to this award. Information was provided to NSF in Fall 2006, with no response to date.

In February of 2007, ISU was asked by NSF’s Office of the CFO to provide information on two awards to an outside consultant group. The consultants are to perform a statistical analysis of NSF grant expenditures as reported on the quarterly Federal Cash Transaction Report (FCTR), in an effort to enhance its post award-monitoring program. NSF requested listings of all expenditures made during specified quarters for these awards and ISU was given five business days to respond. This information was recently provided to the consultant group, with no response to date.

## **NSF AUDITS AT OTHER INSTITUTIONS**

NSF OIG is continuing its efforts to perform effort reporting audits and cost share audits of universities. It has been estimated that as many as 30 universities will be audited for effort reporting.

The following issues have been raised by NSF:

- Effort reports were not returned on a timely basis
- Effort reports were signed by departmental business managers without suitable means of verification
- Budgeted salary costs, instead of actual salary costs, were used as the basis for cost sharing. No adjustments were made when there was a variance between amounts budgeted for cost share and actual effort incurred. Salary and wage cost sharing must be accounted for based on actual effort incurred and not budgeted effort.
- No documentation was available to support third party cost share. Records of third party cost share were maintained by the department and were inadvertently destroyed. University monitoring and documentation of cost share incurred by third parties was questioned.

ISU faculty need to review and sign their own EASE forms in most cases. For all other ISU employees-- the employee, the employee's direct supervisor, the supervising PI, or another departmental official who has specific knowledge of the employee's activities should sign the EASE form.

## **HHS OIG and NSF OIG FFY07 AUDIT WORK PLANS**

The Offices of Inspector General (OIG) for the Department of Health and Human Services (HHS) and the National Science Foundation (NSF) have issued their FFY07 work plans.

HHS audit areas include:

- Review of salary charges to NIH grants to ensure charges accurately reflect the researcher's effort on the project
- Direct charging of administrative and clerical salaries. These costs should usually be treated as indirect costs.
- Allowability of and supporting documentation for cost transfers. Transfers are to be supported by documentation that fully explains how the error occurred.

NSF audit areas include:

- Compliance with effort reporting requirements
- Review of university systems to ensure adequate accounting of funds and safeguarding of assets
- Review of specific grants and contracts for compliance with federal, NSF and award requirements

## **MISCELLANEOUS ITEMS—**

### **Justification for Transfer Box on CVs**

The Justification for Transfer box **must** be completed on correction vouchers (CVs) if the TO: account is a 4xx account. Please be sure to complete this box in these instances and fully explain how the error occurred and why the transfer is appropriate. SPA will return CVs to departments when this box is not completed.

### **Response to Annual SPA Request for Cost Share Documentation**

If you have not already responded to this request, please contact your SPA accountant ASAP. Information will be collected from the SPA accountants by March 1, and the SPA manager will review all unresponsive accounts to determine the appropriate course of action. Thanks to all of you that have already submitted this information.

## **OTHER ISSUES/CONCERNS/QUESTIONS**