Welcome

Please fill in seats in the front of the room.

Each seat has a folder with a number indicating which group of 3 or 4 seated nearby you will team up with for interactive component.

Each group has an iClicker (select a person to enter team responses).
DEC 4, 2018

REGULATIONS, POLICIES, AND ALLOWABLE COSTS
• Welcome and Introductions
  Carole Trainor, Senior RA Education & Support Specialist, VPR
• Federal Uniform Guidance Regulation
  Tiffany Melendez, Senior Cost Analyst, Cost Analysis, OSP
  Joe Foley, Cost Analyst, Cost Analysis, OSP
• KC Award Module Terms and Prior Approvals
• Unallowable Costs: What it means for you
  Paul Andersen, Assistant Manager, Travel, VPF
  Ann Julian, Manager, Procurement, VPF
  Michael F McCarthy, Manager, Property, VPF
  John Larkin, Assistant Director of Financial Operations Processes and Compliance, VPF
  Emily Goldman, Manager, Sponsored Accounting, VPF
• Next Session Plans - Carole Trainor
LOGISTICS

• Print resources (electronic copies of handouts and presentation will be shared following class).

• Session will include some interactive scenarios and there with will be time for Q&A following Cost Analysis and then after the VPF presenters.

• 7 minute break midway through (on screen timer will assist you with tracking time).

• Silence phones to limit distractions.

• Please complete Feedback form in folder – Presenters appreciate hearing from you.
iClickers

Have you used an iClicker or other anonymous polling before?
Cost Analysis

Tiffany Melendez
Senior Cost Analyst, OSP
@ tmelende@mit.edu

Joe Foley
Cost Analyst, OSP
@ joefoley@mit.edu

osp.mit.edu > Grant and contract administration > Sponsored programs basics > OMB circulars and cost principles
OBJECTIVES

1. Describe how MIT determines costs that are allowable on sponsored awards
2. Define Uniform Guidance
   • Requirements for costs being allocable, allowable, consistent and reasonable
3. Allowable Cost vs Reimbursable Costs
4. Understand applicability of rules/regulations using real life examples
The agreement defines terms and conditions – Check KC!

Federal agency policy may specify other terms

MIT consistently applies UG Subpart E to sponsored projects through policy, procedure

UG Subpart E: principles for determining costs applicable to sponsored work at universities
The agreement defines terms and conditions
An award has come in from DoE to support a workshop. Professor Ichabod asks you to hire a caterer for a workshop lunch at the Museum of Science and keep it under 5K. You remember that UG says that food costs are unallowable except for business meetings held to talk about project results with people from outside MIT.

What is your first step?

A. Charge to discretionary, food is unallowable per UG
B. Check KC Terms for allowability of food
C. Charge the award per PI instructions
D. Charge the award under MIT travel policy
KNOWLEDGE CHECK #1 - ANSWER

B Check KC Terms for allowability of food

- **Restrictive** or **permissive** conditions in the actual award take precedence over UG
- Allowed to be charged -
  - Sponsored Agreement is at the top of the pyramid
  - Sponsored agreement specifically allows for food and beverages per KC terms.
UNIFORM GUIDANCE

• Governing body whom issued the rules is the Office of Management and Budget (OMB)

• “UG” = 2 CFR 200

• Applies when an entity receives government money in the form of federal awards

• Plain English rules on spending $ (Subpart E)
§200.413 Direct costs = “...those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy...”

Typical Allowable Costs Include:

- **Salary & Wages** (& related EB/VAC) *not to exceed IBS*.
- Materials & supplies, travel
- F&A (indirect costs) **allocable** based on above costs
  - incurred for common or joint objectives.
  - cannot be identified readily with a particular sponsored project (i.e. building costs, salary of admin, library)
Uniform Guidance – Basis of Cost

For each cost - Ask yourself if the costs meet the criteria under...

**Foundations of Cost Principals in the Uniform Guidance:**

- Reasonable
- Allocable
- Consistent
- Conform
Allowability of Cost  (2 CFR 200.403)

Costs must be Reasonable (§ 200.404)
“A cost is reasonable if, in its 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.”

Costs must be Allocable (§ 200.405)
“A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.”

Costs must be treated Consistently
• policies and procedures must apply uniformly to both federally-financed and other activities
• costs may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect costs. (general vs sponsored accts)

Costs must conform with the Agreement terms, GAAP and other statues
Professor Raffles is traveling to Singapore to collaborate with colleagues on an NSF grant.

She will be stopping in San Francisco for a few days on the way home to see her brother. There is also a conference in LA that she will attend related to a Moore Foundation award, after her visit in San Francisco.

Most of the costs of the trip are related to the NSF grant and the award has ample funds remaining. The PI tells the administrative assistant to charge 80% of the trip to the NSF grant and 20% to discretionary. This floats across your desk for review.

Is it allowable to charge 80% to the NSF grant?

A=Allowable  B=Unallowable  C=Mixed
KNOWLEDGE CHECK #2 - ANSWER

C – MIXED

Business Related Travel is Allowable, Personal Travel is not.
- Uniform Guidance Section 200.474 Travel costs

- There are three different activities related to the travel and the travel costs should be split/allocated relative to the benefit received:
  - Singapore award
  - LA conference related award – charge to award if specifically allocable or charge to discretionary.
  - Personal Travel – not allowable. It is Not reasonable to assume government would pay for this, nor MIT.
AMPLIFICATION/EXPLANATION:

PERSONAL TRAVEL Allocations

Airfare:
• Airfare to and from a personal destination is not allowable, unless documentation is provided showing that the cost was less than the airfare to and from the business destination.
  • travelers must provide documentation showing cost differential (at the time of booking).

Additional costs incurred before or after the dates of the business event are not allowable. Including costs such as:
• Lodging
• Ground Transportation
• Meals
Cost reimbursed by the federal government can not include unallowable activities or unallowable transactions.

**Activities:**

- Alumni Functions
- **Fund Raising**
- Lobbying
- Commencement & Convocation
- General Public Relations
- Student Functions
- Managing investments for profit
- Prosecuting claims against fed
- Defending certain claims
- **Housing & personal exp**
- Selling or marketing goods or services externally
- Social Memberships
What Costs are Specifically Unallowable

Transactions:

- Advertising (only certain types are allowed)
- **Alcoholic beverages**
- **Entertainment**
- Fundraising or lobbying costs
- Fines/Penalties due to violations of law
- **Memorabilia or promotional materials**
- Relocation costs if employee resigns within 12 months
- Certain recruitment costs, such as color advertising
- **Certain travel costs (first/business class or personal travel)**
- Goods or services for personal use
Allowable vs Reimbursable

- Allowable = Federal Term vs Reimbursable = MIT term
- Costs may be “Reimbursable” by MIT but unallowable on awards when they adhere to MIT policies but do not meet the criteria of a direct cost.

Examples:

- **Business class or first class airfare** (If charging federal award be sure to have documentation of what the economy fare is at the time of booking.)
- **Weekly research group meetings that include food/beverages** (not allowed on an award unless explicitly included in the terms of the award).
Prof. Ichabod traveled to New York City to attend a conference on topics related to his federally sponsored research grant.

While there, he had dinner with his New York University and Columbia University collaborators to discuss their project. They had alcohol with their meal. He would like to charge the cost of his dinner to his federally sponsored project.
Knowledge check #3

There is Alcohol, How do you treat it?

A = Unallowable, but reimbursable charge it to award and cover with funds on award account.
B = Unallowable & Not reimbursable – get the employee to cover it
C = Allowable charge it to the award
D = Unallowable, but reimbursable charge it to non-federally funded account
Knowledge check #3

ANSWER – B or D – IT DEPENDS!
Check with your department if they will cover alcohol charges on a discretionary account for travelers (D). Otherwise the employee may have to pay out of pocket for the costs of alcohol (B).

Answer A is not appropriate as this would be comingling funds.

The answer covers an array of employees that may be traveling on behalf of MIT. Not all departments will cover alcohol charges.
KNOWLEDGE CHECK #3 – IN DEPTH REVIEW

Food is Allowable as part of the conference, alcohol is Unallowable (200.432 Conferences),

Amplification/explanation:

• **Per UG**, meeting costs are allowable **only** if the primary purpose of the meeting is the dissemination of technical information

• **MIT’s policy** is that meeting meal costs are allowable on federally-funding sponsored research projects only so long as the primary purpose of the meeting is for **external** dissemination of the project information.

• DLCs should submit to Sponsored Accounting a justification for the charges including a list of attendees, location of the meeting, dates the meeting occurred, and the reason for the meeting.

• **Alcohol may be charged to a non federal account, if Dept. is willing to cover or PI has discretionary funds.**
The Graduate Research Assistants (RAs) involved in the PI’s NIH project will spend time in the field collecting data. The PI would like to purchase a laptop computer for each RA’s use on the project. The RA’s will use these laptops for other administrative tasks and school work.

Can the award from NIH be charged the costs for the laptops computers for each RA?

A=Yes, allowable
B=No, unallowable
KNOWLEDGE CHECK #4 - ANSWER

Yes – it is **Allowable** (200.33, 200.48, 200.89, 200.439, and 200.453C)

Amplification/explanation:

- Charging computing devices as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a federal award.
- If the unit cost is below $4,999, use minor equipment GL.
Audit Issues

Recent NSF Audit Facts:

- OIG hired special auditors
- Audit began May 2017 and ended August 2018 (1.25 years)
- Reviewed 3 years worth of transactions involving NSF funding
- Approximately 300 items sampled
  - Initially just 250 items
  - added 25 travel & 51 indirect cost tests

#1 Inappropriate Allocation of Expenses – MIT did not allocate expenses to awards based on relative benefits received by awards.

- PI traveled for a couple months to a foreign university, BUT it was...
  - unbudgeted &
  - not document it in the annual or final reports to sponsor
Audit Issues – cont’d

#1 Inappropriate Allocation of Expenses (cont’d)-

Travel but no effort on awards:

- A Post Doc traveled to a foreign country to present at a conference.
  - no documented effort
  - not listed as a participant in the year travel occurred
  - PI did not mention papers in annual report.

- Post doc conference in Hawaii
  - previously allocated to project which had 100% effort
  - switched costs to an award where there was no effort (23 days before project ended)
  - was not listed as participant
#1 Inappropriate Allocation of Expenses (cont’d)

- Inappropriate allocation of travel costs between awards.

- Personal Travel on awards:
  - PI had spouse (another PI) travel charged to award. Spouse was **not** indicated as a participant on award.
  - Multiple trips (foreign and domestic) with extra excursions (side trips in between, that did not benefit award and **did not have cost savings documentation**), thus deemed personal travel.
#2 Travel not in compliance with Fly America Act - neither level of comfort or convenience meets the exception list according to MIT policy

#3 Equipment Expenses Charged at the End of the Award Period

- 5 year award.
- Equipment purchased during the last 90 days of an award
- Nothing included in the budget/funding regarding equipment
- PI rationale “required to run important final simulations on award, required for final product”.
- Equipment not received until final 2 weeks of award, therefore does not appear to have provided sufficient benefit to award over entire life of award.
GENERAL NEEDS:

• JUSTIFICATIONS ON TRIPS: Require travelers to specifically justify how each trip benefits the award charged when completing their expense reports.

• DOCUMENTATION OF ALLOCATION METHOD: Require departments to maintain documentation that supports the allocation methodology used to allocate expenses among multiple funding sources.

• ADDITIONAL REVIEWS OF

  • TRAVEL/EFFORT: to ensure that employees do not allocate travel expenses to awards for which the employees have not allocated any effort or do not have individual listed as a participant on award reports.

  • PERSONAL TRAVEL: travel that include both award-related travel and personal travel, double check everything to ensure that the personal travel did not increase the cost charged to sponsor.
Best Practices

Go in order of precedence (Pyramid):

• Be familiar with the terms of the award agreement – Check KC
• MIT Policies
  • MIT OSP websites: https://osp.mit.edu/grant-and-contract-administration
  • MIT VPF Policies and Procedures: https://vpf.mit.edu/policy/all
• Uniform Guidance
• Discuss with your OSP Contract Administrator (CA) - ASK AROUND!

Ask yourself if the costs meet the factors of allowability (Foundations):

• Is it allocable, reasonable, consistently treated?
• Does it conform with the terms, policies and regulations
Questions ?
7 minute break

Welcome Back!
Travel

Paul Andersen
Assistant Manager, Travel, VPF

travelsupport@mit.edu | pander@mit.edu | kmcgrath@mit.edu

vpf.mit.edu/travel-planning-and-expensing

Concur Travel Expense drop-in session – Wednesdays 10:00 – 11:00 am NE49-3000
UNALLOWABLE TRAVEL

• GL420080 - Domestic Travel Unallowable
• GL420090 - Foreign Travel Unallowable

These G/L accounts are for travel costs which are reimbursable under MIT’s Travel Policy but which are not recoverable from the Federal government.

In the Concur system expenses map to G/L’s automatically based on the following:

• Trip Classification (Foreign vs. Domestic)
• Trip Purpose
• Expense Type
Unallowable Trip Purposes in Concur

Please note if the Trip Purpose in the Report Header is Unallowable the entire trip/every single expense in the report will map to the designated unallowable Travel G/L based on whether the trip is classified as foreign or domestic.

- Resource Development
- Retreat
- Prospective Student Visit
- President Travel
- Fundraising
Unallowable Expense Types in Concur

These can be either main line items in the report or itemizations within a line item and will always map to the designated unallowable Travel G/L based on whether the trip is classified as foreign or domestic in the Report Header.

- Alcohol
- Gift
- Upgrade Fee
- Airfare Difference (Itemization)
- Entertainment – Other
- Non-Recoverable Expenses
- Misc. Promotional Expense
Best Practices: Sample Trip

- **Trip Purpose:** Conference
- **Cost Object:** Sponsored Project funded by the government
  - Sponsor requires a US or Open Skies air carrier
- The MIT professor went to a conference in London for the latest information on the science used in the sponsored research.
- The flight was on Air France.
- While in Europe, the MIT professor went to France for a meeting with colleagues in regards to a different project. The side trip lasted for 2 days.
- Before leaving to London, the MIT professor had to change the flight date in order to accommodate a last minute meeting here at MIT and incurred a $200 airline change fee.
- How do you unpack this report and allocate properly?
UNALLOWABLE TRAVEL EXPENSES, CONT’D

Best Practices: Sample Trip

• What to consider:
  • What portion of the trip has a benefit to the sponsor?
  • Is the flight air carrier allowed on the sponsored account?
  • Do I need to get a flight comparison? When should I do this? How do I do this?
  • Where should the airline change fee be charged?
Procurement

Ann Julian
Manager, Procurement, VPF

@ b2p@mit.edu | amjulian@mit.edu | kmcgrath@mit.edu

vpf.mit.edu/getting-started-buying-and-paying

B2P drop-in session – Wednesdays 10:00 – 11:00 am NE49-3000
PROCUREMENT PATHWAYS

1. What methods are available to purchase goods/services?
2. Where do I go to purchase these supplies?
3. Do I need an approval(s) to purchase this item(s)?
4. Who do I call or email should I need help?
PURCHASING METHODS: 2 OPTIONS

Preferred methods of purchasing goods and services

1. Buy-to-Pay On-line Ordering System (via Coupa)
   • Electronic Catalogs – products
   • Professional Services
   • Electronic ordering/invoicing direct to vendors

2. MIT Procurement Card (ProCard)
   • Approved items <$3000, one-time purchases from vendors
<table>
<thead>
<tr>
<th>Order</th>
<th>Item Description</th>
<th>Quantity</th>
<th>Unit Price</th>
<th>Total Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BLOOD BAG ORGANIZER, 1 VWR BAROMETER HANDHELD, 1 VWR</td>
<td>1</td>
<td>18,325.24 USD</td>
<td>18,325.24 USD</td>
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<tr>
<td>1</td>
<td>Field Upgrade Addition of Uncaging Optics and Functional Mappin</td>
<td>1</td>
<td>54,963.60 USD</td>
<td>54,963.60 USD</td>
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<tr>
<td>1</td>
<td>REAGENT RESERVOIR STERILE 10ML CS100, 1 RESERVOIR REAGENT</td>
<td>1</td>
<td>885.73 USD</td>
<td>885.73 USD</td>
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<tr>
<td>3</td>
<td>Lab Supplies</td>
<td>3</td>
<td>450.00 USD</td>
<td>1,350.00 USD</td>
</tr>
</tbody>
</table>

**Recent Orders**

12 Lab Supplies, Service Plan for Lab Equip

Supplier VWR SCIENTIFIC PRODUCTS CORP

Order Details:
- Req 32742
- 5 Sep
- Pending Approval

**Hosted Catalogs**

- Biologics
- Stem Cells
- Lonza
- Beckman Coulter
- Hampton Research

**Buying & Paying Tasks**

- Find Preferred Suppliers
- Create Purchase Order
- Track/FED
- Re-Fund

**Help & Support**

- Help Desk
- Chat Live
- Email
- Phone
# Uniformed Guidance Changes

<table>
<thead>
<tr>
<th>Threshold</th>
<th>Prior to July 1, 2018 Uniformed Guidance</th>
<th>July 1, 2018 Uniform Guidance</th>
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</thead>
<tbody>
<tr>
<td>$0 - $10,000</td>
<td>No supporting documentation required</td>
<td>No supporting documentation required</td>
</tr>
<tr>
<td>$10,000 - $250,000</td>
<td>Written Quotes and price justification required</td>
<td>No written Quotes required. Price justification required</td>
</tr>
<tr>
<td>Over $250,000</td>
<td>Quotes and price justification required</td>
<td>Formal competition and evaluation required, with clear and robust supporting documentation</td>
</tr>
<tr>
<td>Sole Source</td>
<td>Document justification for lack of competition</td>
<td>Use sole source as an alternative procurement method to competition only when:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Item is available only from a single source,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• After solicitation from number of sources, competition is determined inadequate,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Case of public exigency or emergency, or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• MIT receives express authorization from Federal awarding agency or pass-through entity</td>
</tr>
</tbody>
</table>
Equipment (CO 6936967)

25: Unbudgeted equipment over $25,000 requires sponsor approval.

49: Standard Agency Terms apply, see http://osp.mit.edu/terms/equipment-property for details

6: Title to MIT

58: Standard Agency Terms apply, see http://osp.mit.edu/terms/equipment-property for details

Approved Equipment (0)

Item | Vendor | Model | Totals:
--- | --- | --- | ---
Approval Flow for Infrared Laser Equipment

Cr:ZnSe laser system
IPG PHOTONICS CORPORATION

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Need By</th>
<th>Shipping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laboratory Equipment - Class 4 Laser</td>
<td>07/23/18</td>
<td>2nd Day (Destination Prepay &amp; Add)</td>
</tr>
<tr>
<td>Supplier Country</td>
<td>Service Commodity</td>
<td>Preferred Supplier</td>
</tr>
<tr>
<td>United States</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Supplier Payment Type</td>
<td>Y</td>
<td></td>
</tr>
</tbody>
</table>

Per page 15 45

Total 319,998.00 USD

Approvers

Kyung-Han Hong (LL-152) On behalf of Dorothy Fleischer (36-345) 10/25/17
Evaluating Auto Approval

Benjamin Sharma (36-461) On behalf of SG_RLE02 REQUISITION APPROVERS 10/25/17

Kevin Milligan (NE49-3020) On behalf of Property Approval Group 10/25/17

Robert Kirby (N52-496) On behalf of Radiation Protection Program - EHS 10/25/17

Mary Getman (NE18-901) On behalf of OSP Admin Review 11/02/17
Cheryl Williams (NE49-4122) On behalf of Buyer Review 11/14/17
Ann Julian (NE49-4122) On behalf of Procurement Management 11/14/17
## Catering Event (Food & Alcohol)

### Catering for KI Holiday Reception 2017

- **From**: CATERING ON BROADWAY NEW ENGLAND GOURMET INC
- **Commodity**: Catering - Food & Beverage, Shipping N/A (Services)
- **Supplier**: CATERING ON BROADWAY NEW ENGLAND GOURMET INC
- **Country**: United States
- **Service Commodity**: Yes
- **Preferred Supplier**: Yes
- **Supplier Payment Type**: C

### Catering for KI Holiday Reception 2017

- **From**: CATERING ON BROADWAY NEW ENGLAND GOURMET INC
- **Commodity**: Catering - Food & Beverage, Shipping N/A (Services)
- **Supplier**: CATERING ON BROADWAY NEW ENGLAND GOURMET INC
- **Country**: United States
- **Service Commodity**: Yes
- **Preferred Supplier**: Yes
- **Supplier Payment Type**: C

### Terms

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>139</td>
<td>Costs of Alcoholic beverages are allowed.</td>
</tr>
<tr>
<td>43</td>
<td>Regulations regarding export control may apply if the research undertaken is cited in either the Export Administration Regulations (EAR) or the International Traffic in Arms Regulation (ITAR).</td>
</tr>
<tr>
<td>40</td>
<td>Meetings Food and Beverage are allowed by the non-Federal sponsor.</td>
</tr>
</tbody>
</table>

### Billing

- **Total Amount**: 26,767.02 USD (100%) MIT COA, Recreation Related Expenses -2487200 KOCH INSTITUTE FUND-GO-KI-N 420318-2487200 (Quense, Cynthia L)-SG_KI01 (D_KI) [B-N]
Property

Michael F McCarthy
Manager, Property, VPF

@ property@mit.edu | mmccarth@mit.edu | kerryj@mit.edu

vpf.mit.edu/property-1
MAJOR VS. MINOR EQUIPMENT

Capital (Major) Equipment
• Acquisition cost of $5000 or greater
• Not included in MTDC base
• F&A is not applied
• GL 421818

Minor Equipment
• Acquisition cost between $500 and $4999
• Included in MTDC base
• F&A is applied
• GL 421827
CHARACTERISTICS OF FABRICATED EQUIPMENT

• Unique, specialized equipment built by the research team
• Not commercially available
• Controlled by MIT or the PI on the project
• Useful life of more than 1 year
• Aggregate cost of materials and services is $5,000 or more (excluding labor costs)
• Approved by sponsor, if required
EQUIPMENT AND ALLOWABILITY

Capital/Minor

• Depends on the contract/grant terms and conditions

• Common clauses:
  • All equipment purchases require prior approval
  • Budgeted equipment may be purchased
  • “No Clause”

Fabricated Equipment

• Integral components of fab are allowable

• Some third party costs (e.g., machine shop) are allowable if 100% dedicated to fab

• Unallowable: Salaries, food, travel, lab supplies, anything not directly related to the fab
Best Practices for Property

New Acquisitions
• Familiarize yourself with equipment terms and conditions on sponsored research awards
• Help facilitate tagging of new acquisitions
• Notify Property Office of any equipment moves, equipment trade-ins, disposal plans, etc.
• ASK QUESTIONS

Fabricated Equipment
• Check parent WBS terms and conditions
• Confirm the item isn’t a deliverable!
• Monitor spending/progress on fabs during construction
• Double check fab accounts just prior to closeout
• ASK QUESTIONS
Professor Raffles began building a probe to analyze soil near swamp areas. Estimated budget is $5,000.

After spending $1,400, the graduate student in charge of this project leaves MIT.

No one else is available to do the work and the grant expires.

Is this allowable as a Fabrication?

A = Yes Fab
B = No Fab
Scenario

No

• No item was completed and/or the cost is less than $5000.
• Costs are moved to the parent and F&A applies to those costs
Notable Unallowable Equipment Cases

• DLC buys servers on subaward without getting the required prior approval; post-purchase approval initially granted by Georgia Tech. The next day, the prime sponsor overrules GT and disallows the server purchases.

• **Result? MIT is docked $17K (value of servers) on the final payment from GT.**

• PI builds a fabrication after sponsor rejects request to rebudget for this fabrication.

• **Result? Fab is disallowed by sponsor five years after award ends. DLC writes ~$18K check to reimburse government for unallowable cost of fab.**
Accounts Payable

John Larkin
Assistant Director of Financial Operations
Processes and Compliance, VPF

@jlarkin@mit.edu Financial Operations
@b2p@mit.edu | cherico@mit.edu | kmcgrath@mit.edu
vpf.mit.edu/getting-started-buying-and-paying
GLS THAT ARE REIMBURSABLE BUT UNALLOWABLE

- 421000 - Meetings Food and Beverages
- 421205 - Alcoholic Beverages
- 420318 - Recreation Related Expense
- 420166 - Entertainment
- 420302 - Promotional Items and Memorabilia
- 420304 - Public Relations
- 420306 - Publicity
- 420319 - Prizes and Awards
- 421584 - Membership and Dues-Social
- 420254 - Non-Reimbursable Expense
ACCOUNTS PAYABLE BEST PRACTICES

• Please remember to separate the meal and alcohol charges when submitting a request for reimbursement or PO invoice to A/P.

• All independent personal services, prizes/awards and honoraria payments are taxable.

• For prize/award payments to non-US citizens there is a mandatory 30% withholding on the amount submitted on the RFP.
ITEMS OF PARTICULAR INTEREST

• MIT Memorabilia
• Personal Expenses
• Prizes and Awards
• Flowers/Floral Arrangements
• Catering/Food
• Contributions/Donations
William, Professor Ichabod’s PostDoc, helped coordinate the DoE funded workshop lunch at the Museum of Science. He was in charge of registration and handouts, so he bought a fine grain leather briefcase with brass trim to transport documents. He submitted the $1,250 receipt for reimbursement from the DoE award.

Which of the following statements is **False**:

A. Should be charged to discretionary instead of award
B. $1,250 is not reasonable
C. Not allocable – doesn’t benefit the award
D. A personal expense, cannot be reimbursed
Scenario

False:
A. Should be charged to discretionary instead of award

The briefcase is
- $1,250 is not reasonable
- Not allocable – doesn’t benefit the award
- A personal expense, cannot be reimbursed
  (Will must pay for his new case)
Sponsored Accounting

Emily Goldman
Manager, Sponsored Accounting, VPF

@ ediamond@mit.edu | camargom@mit.edu | ask-sponsored@mit.edu

vpf.mit.edu/sponsored-accounting
IMPACT OF UNALLOWABLE COSTS ON SPONSORED ACCOUNTING

Billings: Cost Reimbursable & Letter of Credit
  o Not billed to sponsor but remains on account

Journal document approvals
  o Routed to Allowables for approval → majority rejected
  o If approved routed to WBS for approval

Removal/reclassification of unallowable charges
  o Implement monthly/quarterly review

Audits and Final Reporting
  o Closeout of WBS accounts and submission of final financial reports to sponsors significantly delayed
RECORDED PROJECT OVERRUN

Recorded Project Overrun (420314)

This G/L account is used to remove an overrun on a sponsored program in accordance with Institute policy. Project overruns may be recorded to selected general accounts (cost centers) or fund accounts (internal orders) using this G/L account on both sides of a journal voucher transaction.

It is **unallowable** to transfer an overrun on one project to a different sponsored research project.
A cost transfer is a reassignment (transfer) of charges within or between cost centers, internal orders, or WBS elements. Cost transfers are used to bill interdepartmental costs, to adjust billing errors, or for other reasons associated with the department’s regular financial operations.

When cost transfers to move expenses involve sponsored projects, it is critical that the transfer meet the rules;

- Allowability,
- Allocability
- Reasonableness
- Consistency

**Any time you initiate a transfer, you invite the assumption that the initial transaction was not handled properly. If expenses are being transferred to a sponsored project, there will be considerable scrutiny of the reasons for the transfer and of the justification for moving those charges.**
Scenario

An Account on an NSF award is in overrun. The PI requests that you move 50% of a conference off of the NSF to an NIH account. When would this be allowed:

A. Never – you can never move an overrun onto another account
B. Always – as long as there’s room on the other account
C. If there is undisputable backup that the conference benefited both projects equally.
A Pfizer account has an unallowable charge on it. Biogen allows this type of charge. The PI has asked that the charge gets moved to the Biogen account.

When would this be allowed:

A. Never – The charge was specifically purchased and used for Pfizer.
B. Always – Biogen has the budget, so why not?
C. If there is plenty of room on the award and Biogen will never know
Questions ?
Closing
Thank you

• Please complete the **Feedback** form and leave it on table when exiting
• We will follow up with email of electronic copies of handouts and presentation. Will also post to the RA Hub [http://research.mit.edu/mit-research-administration-hub](http://research.mit.edu/mit-research-administration-hub)
• Please refer to handouts for contact information, drop-in sessions, and websites for different areas.
We are preparing additional Essentials sessions for the Spring, and a separate email will be sent by the RA Hub to the Research Administration community when registration is open through the Atlas Learning Center. Topics for the Spring will include:

- Federal and Non Federal Agreements
- Activity Types and Fellowships
- Faculty Effort and Academic & Staff Leaves
- Financial Conflicts of Interest in Research
- Post Award Administration
- Closeout, Reporting & Audit