

# BUDGETS AND BUDGET JUSTIFICATIONS

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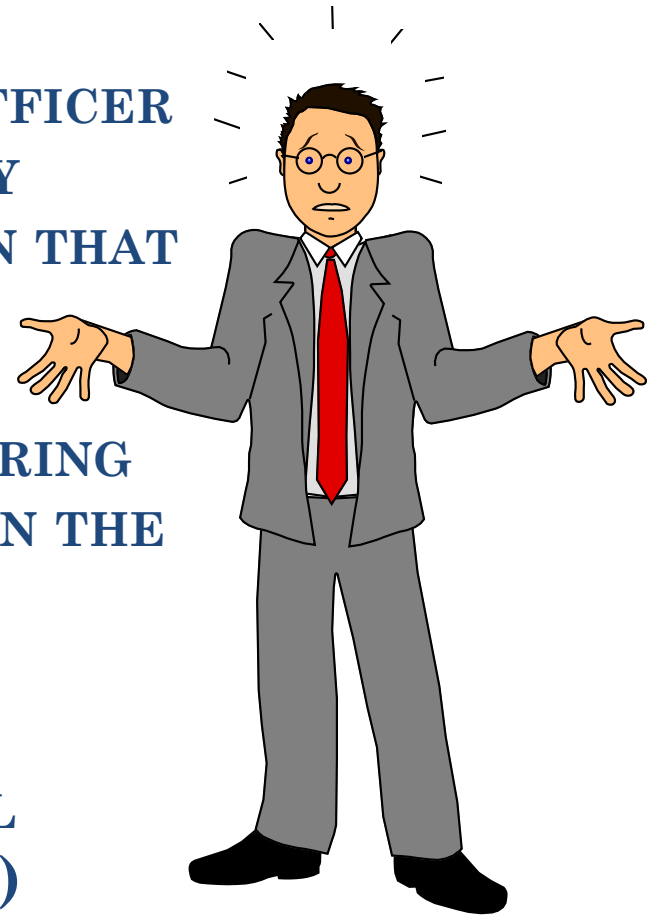
**Sponsored Projects Administration**

**January 31, 2011**

## QUESTION:

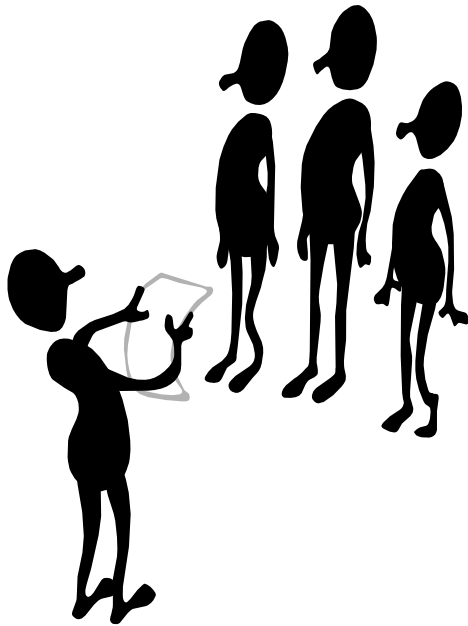
**“I NOTICED MY CONTRACT & GRANT OFFICER (CGO) IS REQUESTING REVISIONS TO MY BUDGET AND/OR BUDGET JUSTIFICATION THAT HAS NOT BEEN ASKED OF ME BEFORE. THE INFORMATION BEING PROVIDED BY MY CGO IS HELPFUL, BUT I AM WONDERING WHY THERE APPEARS TO BE A CHANGE IN THE LEVEL OF REVIEW AND SCRUTINY OF MY PROPOSAL.**

**HAS NSF’S POLICY (OR OTHER FEDERAL SPONSORS’ POLICIES FOR THAT MATTER) CHANGED, OR ARE THERE NEW UNIVERSITY POLICIES IN EFFECT THAT WE HAVE NOT BEEN MADE AWARE OF?”**



## **ANSWER:**


**“NO, THE POLICIES HAVEN’T CHANGED. SPONSORED PROGRAMS ADMINISTRATION (SPA) HAS “ALMOST” ALL NEW CGOs SERVING UCR AND, THROUGH CONTINUAL TRAINING AND DEVELOPMENT OF THESE OFFICERS, SPA IS EQUIPPING THEM TO PERFORM PROPOSAL REVIEWS AT THE REQUISITE LEVEL OF AN AUTHORIZED OFFICIAL FOR THE UNIVERSITY.**



**THE REVIEWS ARE CONDUCTED PURSUANT TO UNIVERSITY POLICIES AND PROCEDURES, AS POSTED ON SPA’S WEBSITE, AS WELL AS PURSUANT TO THE FEDERAL REQUIREMENTS OF OMB CIRCULAR A-21 AND SPONSOR POLICIES.”**



- o NSF 05-131 July 2005 [http://www.nsf.gov/pubs/manuals/gpm05\\_131/gpm6.jsp](http://www.nsf.gov/pubs/manuals/gpm05_131/gpm6.jsp)



# National Science Foundation

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## Grant Policy Manual

[Table of Contents](#)

[I. Basic Information](#)

[II. NSF Awards](#)

[III. Grant Administration](#)

[IV. Financial Requirements and Payments](#)

[V. Grantee Standards](#)

[VI. Allowability of Costs](#)

[VII. Other Grant Requirements](#)

[VIII. Other Proposal and Award Considerations](#)

[IX. Reconsideration / Suspension and Termination / Disputes / Research Misconduct](#)

[Subject Index](#)

[PDF Version](#)

### NSF 05-131 July 2005

## Chapter VI - Allowability of Costs

This chapter covers the general applicability of Federal cost principles to NSF cost reimbursement grants, including a discussion of selected items of cost and description of NSF prior approval requirements. It consists of the following topics:

[600 BASIC CONSIDERATIONS](#)  
[610 DIRECT COSTS](#)  
[620 OTHER DIRECT COSTS](#)  
[630 INDIRECT COSTS](#)  
[640 FEE PAYMENTS UNDER NSF GRANTS](#)

### 600 BASIC CONSIDERATIONS

Expenditures under NSF cost reimbursement grants are governed by the Federal cost principles and must conform with NSF policies, grant special provisions and grantee internal policies. Grantees should ensure that costs claimed under NSF grants are allowable, allocable, and reasonable. In the event a grantee anticipates charging an item of direct cost that might subsequently be disputed, an authorized official of the grantee organization should discuss the matter with the cognizant NSF Grants Officer and document the conditions or factors surrounding the item in order to avoid possible subsequent disallowance.

#### 601 Federal Cost Principles

601.1 Applicability to Grantees

The governing Federal cost principles applicable to specific types of grantees are as follows:

Type of Organization	Applicable Federal Cost Principles
Educational Institutions	OMB Circular A-21
Non-Profit Organizations	OMB Circular A-122



## **FEDERAL REQUIREMENTS OF OMB CIRCULAR A-21**

- SPA's guidance for preparing proposal budgets and budget justifications ensures that the proposed budget and budget justification are in compliance with OMB A-21, which provides federal guidance for direct and indirect costs that may be charged to grants, cooperative agreements, and contracts.
- Additionally, OMB A-21 requires that all project costs are allowable, allocable, and reasonable, and are consistently treated as follows:

## FEDERAL REQUIREMENTS OF OMB CIRCULAR A-21 (CONT'D)

- Allowable: The cost is not limited or excluded under federal regulations or the terms of the sponsors policy.
- Allocable: The cost can be assigned to the project in whole or in-part (when in-part the proportionate cost is easily approximated or determined without undue effort).
- Reasonable: A prudent person would find the type and amount of the cost to be appropriate, necessary, and in the best interest of the University, sponsor, and the public at large under the circumstances.
- Consistently treated: An expense must be treated consistently under generally accepted accounting principles that are appropriate to the circumstances, i.e., direct costs vs. indirect costs.

## **SUBSEQUENT COST DISALLOWANCES REALLY DO HAPPEN . . .**

Federal audits at other universities have revealed examples of inconsistent cost allocations. Specifically, certain costs (clerical salaries, office supplies, computers, mailing costs, etc.), which are normally considered F&A costs, were charged directly to federal grants and contracts. These audit findings resulted in multi-million dollar fines. If such finds were to be levied at UC Riverside, they would almost certainly impact the budgets of the units responsible.

## **THE ROLE OF YOUR CGO**

The CGO, as an authorized official for the University, is certifying (by either submission of the proposal or an endorsed cover letter) that the budgeted costs are in compliance with federal, sponsor, and institutional policies. In order for your CGO to provide this certification, a detailed budget and budget justification must be properly prepared and provided as part of the proposal application in eCAF, according to the guidance provided on SPA's website.



**GUIDANCE FOR PREPARING  
PROPOSAL BUDGETS & BUDGET JUSTIFICATIONS  
IS LOCATED ON SPA'S WEBSITE AT:**

[HTTP://OR.UCR.EDU/SP/LIFECYCLE/PREPARE/BUDGETINDEX.ASPX](http://or.ucr.edu/sp/lifecycle/prepare/budgetindex.aspx)





About Sponsored Programs

Contract and Grant Lifecycle

- Proposal Preparation / Submission
  - Quick Reference
  - Principal Investigator Eligibility
  - Common Elements of a Proposal
  - Obtaining Institutional Review and Endorsement
  - Preparing Proposal Budgets & Budget Justifications
  - Proposing Cost Sharing
    - Limited Submissions
- Pre-Award Administration
- Award Negotiation and Setup
- Post-Award Administration
- Closeout

Export Controls

Ethical and Responsible Conduct of Research

NSF Broader Impacts Criterion

Data Management Resources

General Information

Electronic Research Administration

## Sponsored Programs

### Proposal Preparation / Submission

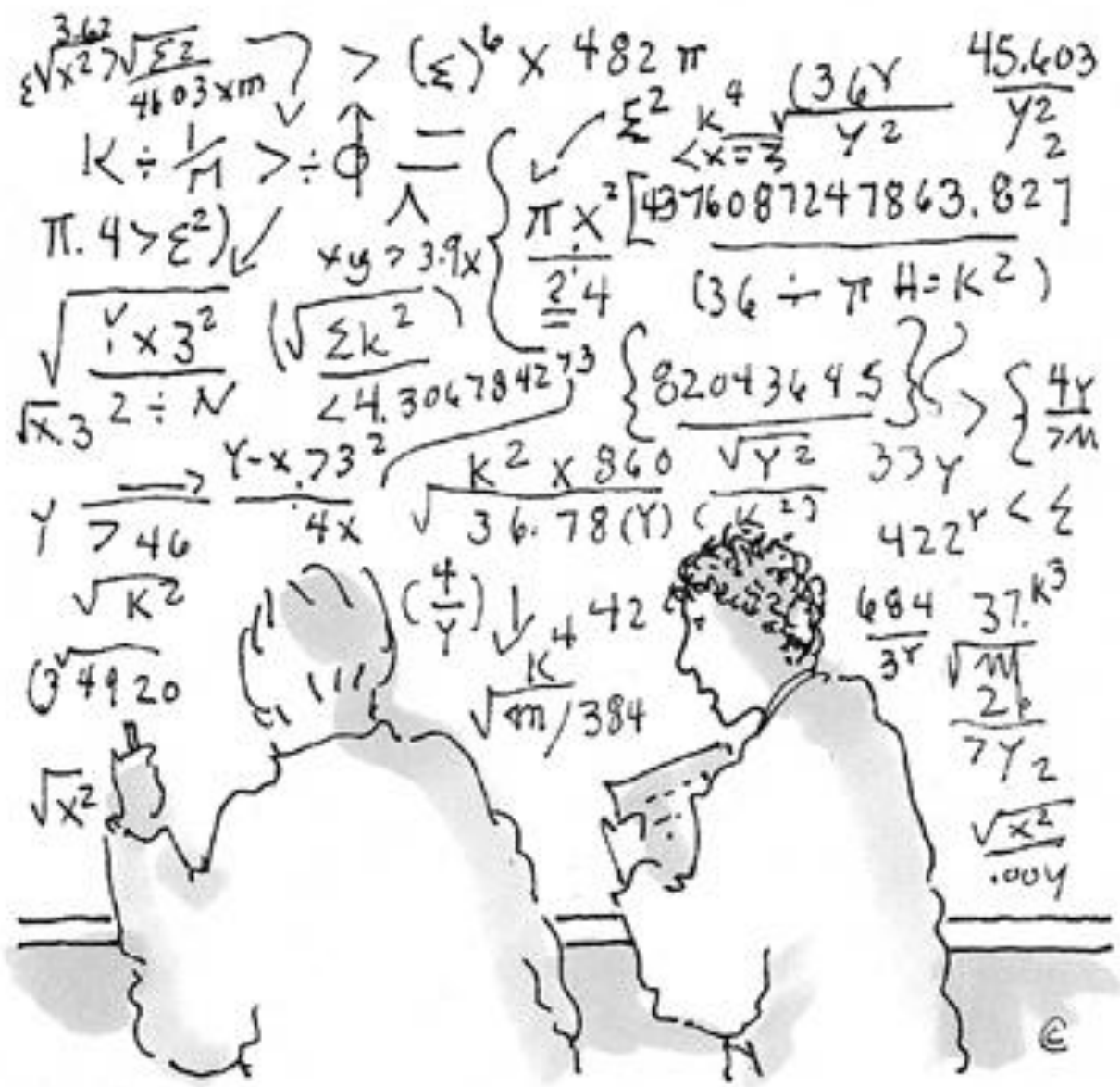
#### Preparing Proposal Budgets

- General Information
  - Cost Estimation
  - Escalation Factors
  - Cost Assignment and Allocation
  - Documentation
- Guidance by Budget Category
  - Salaries and Wages
  - Administrative/Clerical Salaries - Special Guidance
  - Distinguishing Between Stipends and Salary & Wages
  - Employee Fringe Benefits
  - How to Calculate Fringe Benefit Rates
  - Graduate Student Fees and Tuition Remission
  - Supplies and Materials
  - Equipment
  - Travel
  - Participant Support Costs
  - Other Direct Costs
  - Non-Salary Administrative Expenses - Special Guidance
  - Budgeting International Scholar Center Fees
  - Facilities & Administrative Costs
- Guidance for Proposals Submitted to NIH
  - Modular Budgets at UCR
  - NIH Salary Cap
- Guidance for Research Projects Operating Abroad
  - Insurance and Liability

#### Preparing Proposal Budget Justifications

- General Information for Preparing Proposal Budget Justifications
  - Sample Budget Justifications





**"This is the easy part. The challenge will be writing a budget justification to substantiate the proposed costs for this project."**



## **GUIDANCE FOR PREPARING PROPOSAL BUDGETS & BUDGET JUSTIFICATIONS (CONT'D)**

**AT THE REQUEST OF SEVERAL DEPARTMENT ANALYSTS, SPA HAS RECENTLY POSTED A SAMPLE BUDGET JUSTIFICATION ON ITS' WEBSITE DESIGNED TO PROVIDE THE LEVEL OF DETAIL NEEDED TO MEET THE CRITERIA OF OMB A-21 AND THE SCRUTINY OF AN AUDITOR (WITH APPLICABLE BACK-UP DOCUMENTATION). SOME SECTIONS OF THE BUDGET JUSTIFICATION (I.E., INDIRECT COSTS) MAY BE USED, WHEN APPLICABLE, AS STANDARD LANGUAGE IN YOUR BUDGET JUSTIFICATION.**





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## **BUDGET JUSTIFICATION SAMPLE LANGUAGE -- INDIRECT COSTS**

**Indirect Costs (a.k.a. Facilities and Administrative costs) were estimated in accordance with UC Riverside's approved indirect cost rate agreement with the Department of Health and Human Services (DHHS), dated January 30, 2009, the Federal Cognizant Agency for UC Riverside. As of July 1, 2009, the applicable indirect cost rate for the proposed period is 52% Modified Total Direct Costs (MTDC,) which is the on-campus Organized Research rate appropriate for this project, and excludes the graduate student fees and tuition, the cost of the proposed equipment and subawards beyond the first \$25,000 per the rate agreement.**

## **BUDGET JUSTIFICATION SAMPLE LANGUAGE -- TRAVEL**

### **TRAVEL (Domestic) ~**

Professor Doe requests \$4,500 per year for the PI and Graduate Student Researcher to support travel on this project to conferences and workshops such as the Conference on Mathematical Aspects of Materials Science, Conference on Computational Science and Engineering, the Materials Research Society annual meeting and also two (2) trips to University of Miami (subaward site) for collaboration meetings and to present and disseminate the research results.

The travel destinations are tentative and are subject to change. Costs are based upon historical usage and include coach airfare on domestic U.S. flag carriers, ground transportation, lodging, registration fees (when applicable), and meals and incidental expenses. An escalation factor of 3% for each year is also included to account for expected/anticipated inflation.

## **BUDGET JUSTIFICATION SAMPLE LANGUAGE -- OTHER PERSONNEL**

### **OTHER PERSONNEL:**

Graduate Student Researcher, GSR (TBD) - Salary support is requested for one non-resident Graduate Student Researcher at 50% time during the 9-month academic year for all three (3) years of the project. Support is also requested at 100% time during the summer in years one (1) and two (2) of the project. The GSR will work on the development of energy-stable methods and density-amplitude equations. In addition, the student will work together with Dr. Doe on the development of adaptive parallel algorithms.

All salaries and wages were estimated using UC Riverside's academic and staff salary scales. Anticipated cost of living increases are 2% per year for the PI. Where appropriate, merit increases are included in the calculations. Merit increases for academic personnel are estimated at 5%.



## UNIVERSITIES WITH SIMILAR GUIDANCE

MIT – Proposal Budget Development Guidance:

<http://osp.mit.edu/grant-and-contract-administration/preparing-and-submitting-a-proposal/budget-development>

Stanford University – Sample Budget Justification:

[http://ora.stanford.edu/ora/osr/proposal\\_development/budget\\_development/budget\\_just.asp](http://ora.stanford.edu/ora/osr/proposal_development/budget_development/budget_just.asp)

California Institute of Technology – Budget Development Guidance:

<http://researchadministration.caltech.edu/theguide/tableofcontents/ch6>

Cornell University – Guide to Budgeting and Costing:

<http://www.osp.cornell.edu/ProposalPrep/Costing-guide.html>

UC Berkeley – Proposal Budget Basics

<http://www.spo.berkeley.edu/Procedures/budget.html>



## **SO WHAT IS THE BENEFIT OF PREPARING MY PROPOSAL BUDGET & BUDGET JUSTIFICATION ACCORDING TO THESE GUIDELINES?**

- **Increases the chance of having your proposal funded.**
- **Decreases the chance of having your proposal funded at a reduced level.**
- **Helps the University to ensure compliance with federal regulations as well as sponsor and institutional policies.**
- **Reduces the odds of have a negative audit finding that may result in the termination of an award and/or the return of any disallowed costs. \***

**\*Just because UCR receives an award that funds a proposal, it does NOT imply that the budgeted costs have been approved. The costs must still be in line with OMB A-21 and sponsor policies to survive an audit.**