C.A.S.
CALLING ALL SUFFERERS
(AKA Cost Accounting Standards)
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Presentation Team

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If you have any questions during the presentation, please fill out the index cards on your table and place them in the box.

Answers to all questions will be provided on the Research Office website.
Agenda

• What is CAS?
• Why is it important?
• Basic Tenets
• Cost Transfers
• Diagnosis and Remedy

What is CAS?

• Cost Accounting Standards

A-21, CAS Appendix A

• 501 - Consistency in Estimating, Accumulating and Reporting Costs
• 502 - Consistency in Allocating Costs Incurred for the Same Purpose
• 505 - Accounting for Unallowable Costs
• 506 - Consistency in Using the Same Costs Accounting Period
Why is this important?

- Roles & Responsibilities
- Promote sound stewardship of sponsor funds
- Audit
- Risk

Risks Include...

- Disallowed costs
- Can affect F&A negotiations
- Audit findings
- Increased scrutiny by auditors
- Potential loss of future funding

6 Basic Tenets of CAS

- Allowable
- Allocable
- Reasonable
- Consistent
- Direct costs
- Indirect costs
Allowable

- Definition—“Costs are allowable if they conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items”. (OMB Circular A-21, Sec. C.2.d.)

Allowable

- CAS Guidelines (in plain English): “Allowable costs must be reasonable and necessary, allocable to sponsored agreements, given consistent treatment, and conform to any limitations or exclusions as dictated in the sponsored agreement.”

Allocable

- Definition—“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.” (OMB Circular A-21, Sec. C.4.)
Allocable

• Benefits the project
• Proportional to the relative benefit received by project
  – CAS guidelines include reasonable methods of allocation

  “The project that pays the expense must directly benefit from that expense.”

Allocable Considerations (cont):

• Allocated costs may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns...to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience. (OMB Circular A-21 Sec. C.4.b)

• Costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements. (OMB Circular A-21 Sec. C.4.c)

Reasonable

• Definition “A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, 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.” (OMB Circular A-21, Sec. C.3.)
Is the Cost Reasonable?
- "Prudent" person
- Necessary for the performance of the project
- "Due diligence"
- Consistent with established institutional policies and practices

Consistent
- Consistent treatment of costs
  - Estimating
  - Accumulating
  - Reporting
  - Allocating

Direct v. Indirect
- Don't charge twice for same cost
- Don't charge for unallowable costs
Direct Costs
- Costs that can be identified specifically with a particular sponsored project, instructional activity...or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
- Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution. (OMB Circular A-21 Sec. D1)

Indirect Costs
- Costs that are incurred for common and joint objectives and therefore cannot be identified readily and specifically with a particular sponsored activity, instructional activity, or other institutional activity. (OMB Circular A-21 Sec. E1)

Indirect Costs
- Indirect cost rate (reimbursement %) negotiated with federal government (through ONR)
- Examples of cost categories included in indirect cost rate:
  - Depreciation and use allowances
  - Operation and maintenance expenses
  - General administration and general expenses
  - Departmental administration expenses
  - Sponsored projects administration
  - Library expenses
Unacceptable Costing Practices under CAS 502

- Rotation of charges among projects
- Charging projects with largest remaining balance
- Charging budgeted amount instead of actual
- Misrepresenting a cost (e.g., coding copier paper as "lab supplies")
- Charging costs that are part of normal facilities & administrative (indirect) expenses
- Charging a project nearing completion without regard to appropriateness of expenses

How do I know how to...

- How can your CAS Guidelines help you?

  Provides guidance for treatment of costs, such as direct cost, indirect cost, allowability, allocability, reasonableness, and consistency.

Terms and Conditions

- CAS Guidelines also provides for:
  - "All awards, including those not covered under CAS are still subject to the specific sponsor requirements listed in the award and to University guidelines."
Cost Transfers

- Cost Transfer Policy
  - Provides guidance for Responsibility, Timing, and Documentation
  - Provides a link to the Cost Transfer Procedure

Cost Transfers

- Cost Transfer Procedure
  - Provides guidance:
    - Roles & Responsibilities for PI, Department Staff, and Research Office
    - How to prepare the JV (i.e. detailed Explanation & Justification, and transaction detail)

Links

- Cost Accounting Standards (CAS)
  - [www.udel.edu/research/pdf/UDcasguidelines_final.pdf](http://www.udel.edu/research/pdf/UDcasguidelines_final.pdf)
Links

• Externally Sponsored Project Cost Transfer Policy No. 6-18
  – www.udel.edu/ExecVP/policies/research/6-18.html

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Links

• Cost Transfer Procedure
  – www.udel.edu/research/pdf/CostTransfer.pdf

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Diagnosis and Remedy Group activity

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“How well do you know CAS, the cost transfer policy, and the cost transfer procedure?”

“Mr. PeopleSoft’s Headache”

Questions
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