

Essentials of Budget Development & Avoiding Pitfalls

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Objective

To help you navigate some of the thornier aspects of budget development by examining specific cost categories, commonly seen problems, and strategies to mitigate or avoid pitfalls

Topic Areas

- The Cost Principles
- “Personnel”
 - *Employees*
 - *Other Significant Contributors*
 - *Consultants/Contractors*
 - *Subawardees*
- Indirect costs

OSP Resources for Budgeting Fundamentals

- **2020 Research Symposium** presentation “Proposal Budgeting Fundamentals”
- **AWARD LIFECYCLE** section of website, particular the Budgeting Concepts & Budget Categories sections under “Proposal Creation”
- “Financial Concepts” course as part of **Carolina RAPIDS**
- Budgeting sections in the *Research Proposal Playbook*
- OSP’s *Operating Standards & Procedures*, Sections 300.05-300.09
- **SPO** <https://www.med.unc.edu/spo/>

Essential Background: The Cost Principles



Cost Principles Example

ALLOWABLE

Necessary to the project, conforms with sponsor regulations *and with UNC financial policy*

Sponsor has awarded \$50,000 to support the costs of a research conference. The sponsor has said the money cannot be used to pay speaker honorariums but placed no other limits. When charging the grant for catering costs, can you include wine served at dinners?

Cost Principles Example

ALLOCABLE

Cost can be **directly assigned as benefitting the specific project**

Dr. Z has several grant funded projects open to study various complications of a particular disease. The freezer storing samples for Project 1 is dying, but only Project 2 has enough budget to make that expensive of a purchase. Can the freezer be bought with Project 2 money?

Cost Principles Example

REASONABLE

A “**prudent person**” would consider the cost reasonable and necessary in similar circumstances

Professor X is traveling to NYC to present a paper based on research award data at an academic conference in June. Is it reasonable to budget staying at Prof X’s favorite hotel with a daily rate of \$500/night (excluding taxes)? The hotel isn’t hosting the conference.

Cost Principles Example

CONSISTENT

Uniform treatment of cost types throughout
UNC **regardless of funding source**

Your department administers multiple post-doctoral fellowships every year. Some are NIH funded, but others are sponsored by a non-profit foundation and one by a corporation. Do you need to budget Fringe Benefits for any of the Fellows?

Cost Category: Personnel

Common Pitfall: Determining salaries

- Infoporte is used to determine Salary and Fringe rate for a UNC-CH employee at the time of application. (If individual is not listed in Infoporte, they are not a UNC-CH employee)
- Use the Total Salary
- Salary escalation of up to 5% is allowed in the first year of the budget.
- Other items that can be confirmed in Infoporte
 - Fringe rate to be used
 - FTE
 - Service Period
 - 12 Months = effort to be reported using CM
 - 9 Month = effort to be reported using AM
 - BONUS INFORMATION: Infoporte is used to determine PI Eligibility

[Employees](#)
[Affiliates](#)

[Return to List](#)

Job Dept _____ Position # _____ Type **Faculty** Pay Status **Active**
 Job Title **Professor** Position Type **Regular** Total Active FTE **1**

Faculty

[Excel](#)
[Print](#)
[Help](#)

Employee	PID		
Job Dept	Position #		Pay Status A
Job Title Professor	Position Type Regular		Pay Cycle W
Working Title Professor	FacPhysBenPlan N		Clinical Pay Y
Appt Start Date	Appt End Date N/A		Job End Date N/A
Position Competency	FTE 1		Service Period 12 Month
Action Code DTA	Action Date 04/06/2020		Action Reason CDM
Communicable Disease Mand. MOP	Severe Weather Essential N		DOB
TIM Approver	email		PID
Supervisor			

UNC Faculty Physicians (FP) Practice Plan indicator.
 "Y" = YES, FP Practice Plan Member
 "N" = NO, NOT FP Practice Plan Member

The Clinical Pay field does NOT indicate
 if the individual is enrolled in the
 UNC Faculty Physicians (FP) Practice Plan.



Cost Category: Personnel

Common Pitfall: Miscategorizing “Other Significant Contributors”

Individuals committed to contribute to the scientific development or execution of the project, but who are not committing any specified measurable effort. These individuals are typically presented at “**effort of zero person months**” or “**as needed.**”

Cost Category: Personnel/OSC

Example

Dr. Janice Smith - \$0 charged to the grant (Other Significant Contributor)

As a leading authority in this field Dr. Smith will provide consultation and expertise when needed in designing this study including study aims, methods, and analysis.

She will also aid in supervising the Study Coordinator, coordinating microbiological sample/cultures, and publishing results.

She will take a lead role as an epidemiologist in performing all statistical and study analyses. She will also participate in all project meetings, including weekly meetings with UNC investigators, and meetings with the Sponsoring University's PI.

Cost Category: Personnel/OSC

But it's \$0, why does that matter for my budget?

- Effort must be properly recorded & reported
- “Voluntary” Cost Share at proposal time becomes mandatory at award time
- If Cost Share isn't properly captured we risk having to repay the award

Remember: Effort not paid from the grant must be tracked as cost share!

Cost Category: Independent Contractors/Consultants

Common Pitfall: Budgeting the wrong people as “CONSULTANTS”

There are tax, policy, and contractual reasons that UNC needs to get this determination right. Corrections at award time can effect the award’s bottom line and require additional time and paperwork

Budget risk: More money is needed to complete the proposed. How will the PI make up the difference?

- *Decrease UNC’s portion of the budget to be able to fully fund a required subaward?*
- *Offer a subaward totaling the original dollar amount?*
- *Come up with a new plan to get that piece of work done?*

Cost Category: Independent Contractors/Consultants

Provides specific services or ancillary goods for a **limited period** necessary to conduct their portion of the research effort. Contractors are **not directly involved with the scientific direction of the project**, and they normally provide the same goods or services in a consistent manner for all their business customers, and they would **not be responsible for the research results**

- No state employee can be paid as a CONSULTANT, even if they are only providing limited (consulting) services to the project.
- Consultants traveling on behalf of a project are subject to UNC travel subsistence allowance limitations
- **External Faculty:** Often must be paid via SUBAWARD instead
Exceptions can occur, but will often require a letter from their employer allowing them to participate in the research as an independent contractor

Cost Category: Independent Contractors/Consultants

Resources: Independent Contractor Questions

1. Did this person substantially contribute to the design of the study? Yes No
2. Is this person conducting any experiments or activities? Yes No
3. Is this person directly involved in or have control over the collection of data? Yes No
4. Is this person involved in the analysis of the data? Yes No
5. Is the person going to be an author on any public dissemination such as a manuscript, paper, presentation, abstract, etc. coming from this research project? Yes No

Cost Category: Independent Contractors/Consultants

Resources: Available on OSP website

- 2022 Symposium presentation (recorded) "Subrecipient v. Contractor"
- Independent Contractor & External Key Personnel Questionnaire (under Forms)
- ***Subrecipient vs Consultant Guidance*** document (pdf file, includes sample document needed from external faculty's employer to permit consulting rather than subaward)
- Policy: Office of Sponsored Programs - 500.12 - Consultants

Cost Category: Indirect Costs

Common Pitfall: Choosing the right rate

On campus vs off campus

OFF-CAMPUS DEFINITION: For all activities performed in facilities not owned by the institution or to which rent is directly allocated to the project(s) the off-campus rate will apply. **Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.**

Off campus A= within 10 miles

Off campus B = outside 10 miles

Cost Category: Indirect Costs

Common Pitfall: A sponsor says they won't pay UNC's standard rates

When is it OK without further action?

Sponsor is **FEDERAL** or **NON PROFIT**, and the lower rate is published so it is publically known at proposal time.

When is further action needed?

Sponsor is **NON PROFIT** but didn't publish their lower rate: use OSR-FA-Waiver-Non-Profit.pdf on website.

BUT... if **FOR PROFIT** sponsor wants to deviate from our standard rates...see next slides

Cost Category: Indirect Costs

UNC cannot just absorb the uncollected F&A dollars a For Profit sponsor doesn't want to pay

I. Facility Use Fee budget model. Detailed and non-detailed versions available. Recoups part of the missing F&A by implementing a 'facility use fee' as part of the direct costs, but also **requires** use of 28% general administrative cost in lieu of normal F&A

1) Enter total direct costs in budget pool

2) Facility Use Fee will auto-calculate based on Wet or Dry Lab selection and General Administration Costs are calculated at 28% MTDC.

Please Select one Facility Type: Wet Lab General Administrative Costs:
 "X" applicable box x Dry Lab

3) The Budget External tab will automatically populate. This tab can be used as a proposal budget for the sponsor.

Account Code Description	PS Budget Account	Year 1	Year 2	Year 3	Year 4	Year 5
Other Expenses (Budget Pool)	501000					
Facility Use fee	550050					

Cost Category: Indirect Costs

Common Pitfall: For Profit sponsor unwilling to pay UNC's standard F&A rates

II. OSR-FA-Waiver_For-Profit.pdf Unlike the waiver for non-profit sponsors, this form Requires the department to specify how the missing dollars will be paid.

Cost of Project at UNC-CH F&A Rate

Direct Cost Initial Year:	<input type="text"/>	Direct Cost All Years:	<input type="text"/>
Indirect Cost Initial Year:	<input type="text"/>	Indirect Cost All Years:	<input type="text"/>
Total Cost Initial Year:	<input type="text"/>	Total Cost All Years:	<input type="text"/>
UNC-CH Full F&A Rate:	<input type="text"/>	Proposed F&A Rate:	<input type="text"/>
Total Amount Lost due to reduction (All years):	<input type="text"/>		

Internal Funding Sources

Account Code	Account Description	Amount
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Total (must equal total amount to be covered by department/school non-sponsored funds)

Cost Category: Indirect Costs

Resources: Available on OSP website

- OSP “Information Sheet” listing the various rates
- Pdf of UNC’s official, federally negotiated F&A Rate Agreement (includes key exempt categories)
- OSP Policy 300.09

Summing Up: Best Practices to Avoid Pitfalls

- Think through the details as much as possible and keep UNC's spending policies in mind
- Think about justification of items even if a sponsor isn't asking for a Budget Justification document
- Utilize the many resources available on the OSP website including guidance documents, templates and checklists
- Follow UNC IPF submission deadlines to allow for full review and feedback

Questions?





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at CHAPEL HILL