

PI ARTICLE: The Cost-Benefit Relationship

One of the fundamentals of grant accounting is the importance of the cost-benefit relationship. A sponsored source of funds should not bear a cost without receiving commensurate benefit. This relates to all categories of cost, which include salaries, fringe benefits, materials & supplies, travel, subcontract expenses, high-performance computing, and myriad others. Before costs are charged to sponsored funds, the question to always ask is: how will this award benefit from this cost?

Central to the cost-benefit relationship is the concept of “allocation.” As defined in 2 CFR 200, allocation means the “process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.” The message is that if a sponsored award is to bear a cost, it must be aligned with the benefit received.

Different types of costs on sponsored funds and things to consider include:

- Salaries: these are the charges for principal investigators (PIs), graduate research assistants (GRAs), or other individuals whose work can directly be assigned to the benefitting award. Annual Statements of Reasonableness (ASRs) serve as attestation that the salaries charged to these awards are aligned with the effort these individuals provided to the awards.
- Fringe Benefits: these are benefit costs tied to the salaries of the individuals who receive the benefits. Fringe benefit rates are applied based on employee and their job code.
- Materials & Supplies (M&S): these are items necessary to perform the research and must have benefitted the award and be both reasonable and allocable.
- Tuition Remission: this is for graduate research assistants (GRAs) and graduate teaching assistants (GTAs) and represents compensation for work performed on behalf of Georgia Tech. For these individuals, the costs of their tuition is waived and to the extent that these individuals perform work on sponsored awards, the appropriate allocation of tuition remission will be charged to the awards.
- Travel (Domestic and Foreign): this is for travel that benefits the award. There must be evidence that the award is benefitting from the travel, with documentation needs including: detailed spend authorization, conference agenda, a written justification, etc.
- Subcontract Expenses: payments to outside entities for work they performed on behalf of a sponsored award at Georgia Tech. Payment to subrecipients must be aligned with the work they provided to Georgia Tech in support of the award.
- F&A: indirect (or overhead) costs incurred by the institution and benefitting the sponsored award. The F&A rate is a by-product of the type of award and the location, as well as unique sponsor requirements.

In considering the cost-benefit relationship, examples of specific audit red flags include:

- Spending past the end date of the award (outside of the period of performance)
- Travel late in the project, or after the project has ended.
- Lack of proper justification for travel.
- 100% effort over a period of time (presumes NO other work is being performed in any capacity).
- Travel charges for individuals who have put no effort on the award prior to travel.
- Equipment purchases late in the project.

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