

Financial Stewardship of Sponsored Project Funds

Presented by the Office for Sponsored Programs

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Research Administration at UA

Office of the Vice President for Research

- > Office for Sponsored Programs
- > Research Compliance
- > Technology Transfer
- > AIME (Alabama Institute for Manufacturing Excellence)
- > CAF (Central Analytical Facility)

Research Administration at UA

Office for Sponsored Programs (OSP)

- > Office for Sponsored Programs (Pre-Award Administration)
- > Contract and Grant Accounting
- > Cost Accounting and Analysis

Staff listings at:

http://osp.ua.edu/site/osp_staff_listings.html

http://osp.ua.edu/cga_staff_listings.html



Research Administration at UA

PI's Responsibilities

- ▶ ***Provide Good, Sound Research or Programmatic Results***
- ▶ Provide Overall Project Management
 - > Manage all project activities to ensure compliance with Federal, State, University and sponsor laws, rules, regulations and policies
 - > Manage the project budget (Balance the books, monitor spending)
 - > Request Amendments/Modifications through OSP
 - > Authorize financial transactions of the project
 - > Certify Time & Effort
 - > Submit technical/progress reports

Research Administration at UA

The Federal Government places the primary responsibility for managing a federally sponsored project with the PI.

[Now Available! Report of Budget, Expenditures, Encumbrances and Available Balance by PI by Grant](#)

NOTE: Only an authorized official for the University can legally bind the University. A PI is not a legally binding official authorized by the University Board of Trustees!

General Knowledge

Agreement Types – Source

- > Federal

- > Federal Pass-Through

Federal requirements apply even though the funds provided to the University are flowing through a non-federal entity!

- > Private

- > State

- > Local

Over 80% of the University's sponsored research expenditures originate with the Federal Government.

General Knowledge

Agreement Types – Legal Form

- > Contracts – Procurement
- > Grants – Assistance
- > Cooperative Agreements – Assistance

See Handout #1

General Knowledge

Agreement Types – Legal Form

Gifts

- > Unilateral transfer of funds by a donor without restrictions
- > Allow the recipient significant freedom to manage the project and determine how the assets will be utilized
- > Do not require deliverables or detailed reports
- > Do not require separate accounting procedures or detailed financial reports
- > Administrated by Office of University Advancement

Regulations, Policies & Procedures

Federal

- > Office of Management & Budget (OMB) Circulars
- > Federal Acquisition Regulations (FAR)

State

- > State law (e.g. bid law), Opinions of State Examiner

University

- > Generally conform to Federal, and always to State, guidelines
- > Usually more specific and may be more restrictive

Regulations, Policies & Procedures

Office of Management and Budget (OMB) Circulars

<http://www.whitehouse.gov/omb/circulars/>

- > **A-21, Cost Principles for Educational Institutions**
- > A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations
- > A-133, Audits of States, Local Governments and Nonprofit Organizations

Regulations, Policies & Procedures

Federal Acquisition Regulation (FAR)

- > Applicable to federal procurement awards
- > Policy and procedure manual for issuance of federal procurements
- > Replaces A-110 as the administrative requirements (relevant OMB cost principles circular will still apply)
 - No expanded authorities
 - No rebudgeting restrictions, unless specified in contract

Regulations, Policies & Procedures

Federal Agency and Program Rules (examples)

- > NIH Grants Policy Statement

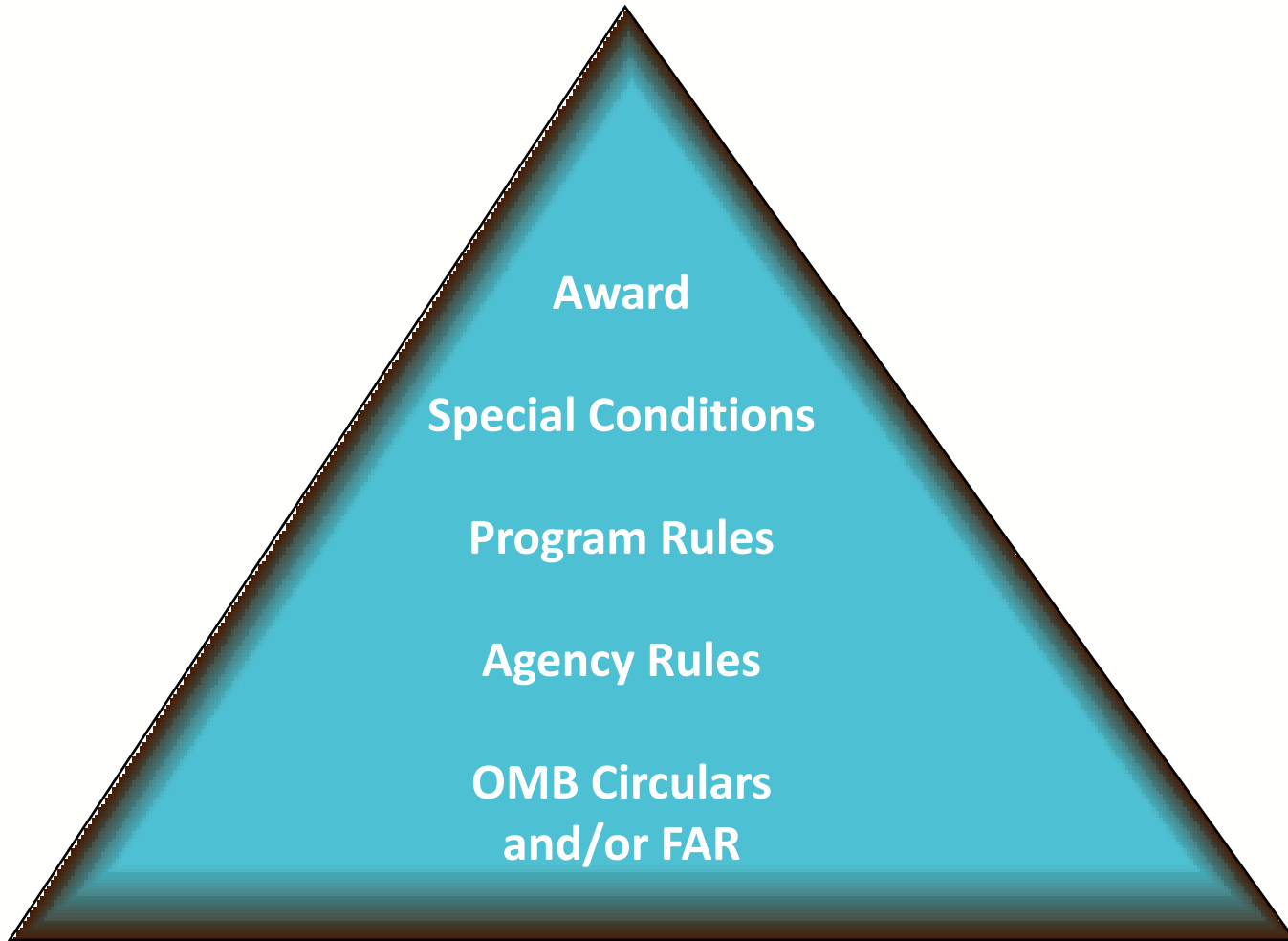
 - <http://grants.nih.gov/grants/policy/policy.htm#gps>

- > NSF Proposal and Award Policies and Procedures Guide

 - http://www.nsf.gov/publications/pub_summ.jsp?ods_key=papp

Regulations, Policies & Procedures

Federal – Order of Precedence



Regulations, Policies & Procedures

- Overarching/General

Allocable, Reasonable, Allowable,
Consistent

UA Spending P&P

Payroll
P&P

Conference
& Meeting

Professional
Services

Effort P&P

Regulations, Policies & Procedures

- Overarching/General

Factors affecting allowability of costs (OMB Circular A-21)

▶ Reasonable

- > Prudent person test
- > Necessary for the performance of the project
- > Consistent with established University practices

Regulations, Policies & Procedures

- Overarching/General

Factors affecting allowability of costs (OMB Circular A-21)

▶ Allocable

- > Chargeable based on relative benefit received
 - ~ Proportional benefit
- > Costs of one project may not be shifted to another

Document, document, document!

- ~ Enough detail to support the charge
- ~ Explanation of how the expense benefited the project

Regulations, Policies & Procedures

- Overarching/General

Factors affecting allowability of costs (OMB Circular A-21)

- ▶ Consistent treatment
 - > Consistency in estimating, accumulating and reporting
 - ~ From proposing to charging to reporting

Regulations, Policies & Procedures

- Overarching/General

Factors affecting allowability of costs (OMB Circular A-21)

- ▶ Consistency in allocating costs incurred for the same purpose
 - > “All costs incurred for the same purpose, in like circumstances, are either direct costs only or F&A costs only with respect to final cost objectives.” (OMB A-21, §C.11.a.)

Regulations, Policies & Procedures

- Overarching/General

- ▶ Consistency in allocating costs incurred for the same purpose
 - > Direct Costs
 - ~ Identifiable and assignable to a specific project or activity
 - ~ Support the project's purpose and activity
 - ~ Included in award budget or sponsor approval for re-budgeting



Regulations, Policies & Procedures

- Overarching/General

- ▶ Consistency in allocating costs incurred for the same purpose
 - > F&A Costs
 - ~ Cannot be clearly identified or allocated to an individual project
 - ~ Not identified readily to a specific program or activity



Examples

Direct Costs

- ▶ Non-administrative Salaries, Wages, Fringe Benefits, such as:
 - > Principal Investigator
 - > Research Assistant
 - > Technician
 - > Faculty
 - > Scientist
 - > Post Doc.
- ▶ Animals and Animal Care Per Diems
- ▶ Consultants
- ▶ Equipment (Technical & Scientific)
- ▶ Maintenance/Repair - Scientific Equipment
- ▶ Page Charges/Reprints/Reference Materials
- ▶ Freight/Other Transportation
 - > UPS
 - > FedEx
 - > Priority Mail
- ▶ Rental of Space / Equipment (Non-UA owned)
- ▶ Service/Recharge Center Charges
- ▶ Subcontracts
- ▶ Materials & Supplies
 - > Chemicals (Lab)
 - > Gases
 - > Radioisotopes
- ▶ Telephone Charges - Long Distance
- ▶ Travel

Indirect Costs

- ▶ Administrative and Clerical Salaries, Wages, Fringe Benefits, such as:
 - > Fiscal Officer
 - > Department Administrator
 - > Administrative Staff officer
 - > Accountant
 - > Secretary
 - > Staff Asst.
- ▶ Computer Hardware (General Purpose)
- ▶ Dues & Memberships
- ▶ Equipment (General Purpose)
 - > Copier
 - > Office Furniture
- ▶ Maintenance/Repair - General Purpose Eqmt.
- ▶ Meals & Refreshments
- ▶ Printing
- ▶ Postage
- ▶ Subscriptions
- ▶ Office Supplies
 - > pens
 - > pencils
 - > transparencies
 - > binders
 - > paper, tablets
 - > staples
 - > files, folders
 - > computer software (general)
- ▶ Telephone Charges
 - > Basic line charge
 - > Pagers
 - > Voice mail

CAS 502, Interpretation (c) - proposal costs are indirect unless “pursuant to a specific requirement of an existing sponsored agreement”

Regulations, Policies & Procedures

- Overarching/General

WHY?

Research Rate – Simplified F&A Calculation

Numerator Expenses

Allocations to Research from:

- Library
- Building Depreciation
- Operation & Maintenance (Utilities)
- General Administration (Payroll)
- Department Administration (Dean, Business Mgr.)
- Sponsored Projects Administration

= F&A Rate

Denominator Expenses

MTDC of:

- Sponsored Research Agreements
- University Research
- Cost Sharing/Matching on Research Agreements

Regulations, Policies & Procedures

- Overarching/General

- ▶ Consistency in allocating costs incurred for the same purpose
 - > Exception for salaries of administrative or clerical staff ONLY allowed for major project (A-21, F.6.b.(2))
 - ~ Major project examples/guidance A-21 [Exhibit C](#)

[Pocket Guide page 2-109](#)

Regulations, Policies & Procedures

- Overarching/General

- ▶ Consistency in allocating costs incurred for the same purpose
 - > Office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A costs
 - ~ Exceptions ONLY for different purpose or circumstances (CAS 502)



Regulations, Policies & Procedures

- Overarching/General

- ▶ ALL exceptions need University approval and must meet the following:
 - > Cost are explicitly budgeted, with justification
 - > Direct Charge Justification Form <http://osp.ua.edu/justification.doc>

Auditors will expect documentation AND to find that there are REALLY exceptional circumstances

“The fact that a cost requested in a budget is awarded, as requested, does not ensure a determination of allowability. The organization is responsible for presenting costs consistently and must not include costs associated with their F&A rate as direct costs.” -- NIH Grants Policy Statement

Regulations, Policies & Procedures

- Overarching/General

Factors affecting allowability of costs (OMB Circular A-21)

▶ **Unallowable costs** are not eligible for Federal reimbursement either directly or indirectly

> Unallowable Activities

- ~ Fundraising
- ~ Alumni Activities
- ~ Lobbying
- ~ Public Relations

> Unallowable Transactions

- ~ Alcoholic Beverages
- ~ Advertising
- ~ Fines & Penalties
- ~ Entertainment



Directly associated costs of unallowable activities and transactions are also unallowable

Regulations, Policies & Procedures

- Overarching/General

Procurement Standards

“Set forth standards for use by recipients in establishing procedures for the procurement of supplies and other expendable property, equipment, real property and other services with Federal funds.”
OMB A-110, §.40

- ▶ All purchases **must be made** in accordance with University's policies and procedures and **must also comply** with funding agency guidelines and be consistent with the award budget
 - > Basic requirements are geared towards competition
 - > Contract provisions (e.g. Debarment and Suspension)
 - > UA P&P: <http://accountspayable.ua.edu/>
- ▶ Approval & signature authority
 - > http://www.osp.ua.edu/Sign_Auth_PP040710.pdf

Regulations, Policies & Procedures

- Overarching/General

Property Standards

“Set forth uniform standards governing management and disposition of property furnished by the Federal Government whose cost was charged to a project supported by a Federal award.” OMB A-110, §.30

- ▶ UA’s Equipment Threshold = > \$5,000
- ▶ UA’s policy to ensure allocability does not allow for purchase of equipment in the last 60 days of the project without documented support for allocability (i.e. it will be questioned)
- ▶ Property Control – Policy Procedure Manual
 - > <http://financialaffairs.ua.edu/admin/lss/pim/index.html>

Regulations, Policies & Procedures - Overarching/General

▶ Cost Transfers

> What is the problem?

- ~ A cost is originally charged to an account and is, therefore, certified for allowability, allocability, consistency, direct benefit, etc.
- ~ A cost transfer invalidates that original certification

> What makes the problem bigger?

- ~ Transfers that clear a deficit off a project
- ~ Salary transfers after certification
- ~ Inadequate explanation/justification (e.g., “to correct error”)
- ~ Late (How far behind are we on account review/reconciliation?)

Regulations, Policies & Procedures - Overarching/General

▶ Cost Transfers

- > UA requires that all cost transfers be accomplished in a timely manner and be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge

UA Policy and link to Cost Transfer Request form:

<http://osp.ua.edu/Cost%20Transfer%20Policy%20r2.pdf>

Regulations, Policies & Procedures - Overarching/General

Cost Sharing (OMB Circular A-110)

- ▶ The portion of project or program costs not funded by the sponsor
- ▶ UA Cost Sharing Policies, Procedures and Instructions at:
http://osp.ua.edu/policy_procedures.html



Regulations, Policies & Procedures - Overarching/General

Cost Sharing (OMB Circular A-110)

▶ 2 types of cost sharing:

- > Mandatory cost sharing - cost sharing that is legally required by the awarding agency as a condition of the award.
- > Voluntary cost sharing - not required by the awarding agency as a condition of the award. Some sponsor expect some cost sharing commitment to be identified in the proposal. **If voluntary cost sharing is included in the proposal, it will become mandatory cost sharing if accepted by the sponsoring agency as a part of the award** (grant or contract).

Regulations, Policies & Procedures

- Overarching/General

Cost Sharing (OMB Circular A-110)

▶ Voluntary Cost Sharing

> Voluntary Committed

~ UA Policy does not generally allow for voluntary commitments of cost sharing. Potential exceptions for programs where cost share is considered a “review criterion”.

> Voluntary Uncommitted

~ Defined: January 5, 2001 OMB Memorandum

- Only applies to faculty (or senior researcher) effort/salary (more info. when we talk about salary)

A requirement to show “institutional commitment” is NOT the same as a requirement for cost share!

Regulations, Policies & Procedures - Overarching/General

Cost Sharing (OMB Circular A-110)

- ▶ IF mandatory or voluntary committed is included:
 - > To count toward commitment, must be clearly defined and directly allocated to a specific sponsored project
 - ~ Same rules apply to cost share as to grant expenditures (i.e. allowable, reasonable, etc.)
 - > Not typically allowed to use Federal funds to meet commitment

Regulations, Policies & Procedures

- Selected Items of Cost

▶ Compensation for personal services (Salary) -- OMB A-21, § J.10.

- > Paid for services of employees
- > Must conform to UA policies
- > Must meet specific documentation standards...

Regulations, Policies & Procedures

- Selected Items of Cost

- ▶ Methodology for documenting salary distribution
 - > Must reasonably reflect the activity for which the employee is compensated by the University
 - > All individuals who work on a sponsored project are subject to T&E requirements
 - > PI's effort **must** be certified by the PI
- ▶ UA accomplishes this through a web based Effort Reporting System (ERS) <http://osp.ua.edu/effortreporting.html>
 - > Instructions for using system
 - > UA Effort Reporting Policies and Procedures (including Effort Reporting Fundamentals)

Regulations, Policies & Procedures

- Selected Items of Cost

- ▶ Compensation for personal services (Salary)
 - > Extra (Supplemental) Compensation (OMB A-21, §J.10.d)
 - ~ May not exceed 100% base salary without special permission from the agency - <http://osp.ua.edu/ExtraCompensation.pdf>
 - > Issues with 100% salary charged to sponsored projects, even in summer
 - ~ e.g. new proposal submissions

Salaries and wages represent the largest portion of sponsored project expenditures -- Intense Federal Audit Scrutiny!

Regulations, Policies & Procedures

- Selected Items of Cost

- ▶ Compensation for personal services (Salary)
 - > UA paid salary is REAL money. The portion allocable to the project but not paid by the sponsor is **cost sharing**.
 - ~ Voluntary Uncommitted (VUCS) is allowed
 - ~ Defined: January 5, 2001 OMB Memorandum (**Handout #2**)
 - *Zero %/\$ effort/salary of PI is a de facto commitment!*
 - NSF now specifically prohibits inclusions of voluntary committed cost sharing in proposals

Minimum PI Effort:

<http://osp.ua.edu/Minimum%20Allowable%20PI%20Effort.pdf>

Regulations, Policies & Procedures

- Selected Items of Cost

- ▶ Equipment (A-21, J.18. Equip and other cap exp.)
 - > Be careful of equipment purchased near the end of a grant/contract!
 - > Be aware of equipment definition
 - ~ $\geq \$5,000$
 - ~ ≥ 1 year useful life
 - ~ Multiple items $<$ threshold only capitalized if being used to construct one item \geq threshold
- ▶ Meetings (A-21, J.32. Meetings and Conferences)

Regulations, Policies & Procedures

- Selected Items of Cost

- ▶ Tuition (J.45. Scholarship and student aid costs)
 - > UA policy, Tuition, Stipends and Other Student Payments at:
http://osp.ua.edu/Tuition_Stipends_March_2007.pdf
- ▶ Travel (J.53. Travel costs)
 - > UA policy is applicable!!!!
 - > Allocability is a typical audit question (particularly 100%)
 - > Fly America Act

Regulations, Policies & Procedures

- Selected Items of Cost

- ▶ Professional Services Costs (A-21, J.37)
 - > Not officers or employees of the institution

- ▶ Subrecipient Costs (A-133, §_.210)
 - > Collaborator
 - ~ Subrecipient Monitoring Policy at:
<http://osp.ua.edu/sub%20recipient%20policies%207-2-2010.doc>

- ▶ Subrecipient or Vendor/Professional Services?
 - > Subrecipient versus Vendor Checklist at:
<http://osp.ua.edu/internalforms.html>

 - > Effect on budget! Also, Vendor (Professional) vs Employee*

 - * *Budget plus Extra Compensation issues*

Regulations, Policies & Procedures

- Indirect/F&A Costs

- ▶ Facilities & Administrative (F&A) Cost Rate
 - > UA's Current Federally Negotiated Rates
 - ~ http://osp.ua.edu/Proposal_administration.html
- ▶ Negotiated rates assume a Modified Total Direct Cost (MTDC) Base
 - > Calculated on a subset of direct costs, normally excluding equipment, tuition, the portion of subcontract costs in excess of \$25,000
- ▶ On or Off-campus
 - ~ http://osp.ua.edu/On_OffCampusRateApplication.pdf

F&A costs are real costs of carrying out sponsored project activities. UA must fund these costs from other sources when not recovered from sponsors (i.e., full negotiated rate not charged).

Regulations, Policies & Procedures

- Other Specific Issues

Program Income

- ▶ Gross income earned by the recipient while the project is active
 - > Directly generated by a sponsored activity/as a result of the award (e.g. fees charged to conference participants)

- ▶ Treated in one of three ways - (Depending on policy, sponsor type, and/or terms and conditions of award)
 - > Additive
 - ~ Increases the amount available to accomplish program objectives
 - > Deductive
 - ~ Deducted from the financial commitment of the sponsor
 - > Matching
 - ~ Used to finance the non-federal share of the project

Regulations, Policies & Procedures

- Other Specific Issues

Program Income (cont.)

- ▶ If not deducted from the sponsor's obligation, must be used to further eligible project or program objectives
- ▶ Accounted for in accordance with Federal and sponsor agreement (separate Fund in Banner)
- ▶ A-110, §.22 (g), Payment (Cash Management)
 - > Program Income **must be spent before** the federal funds
- ▶ Income earned after the program ends is not reportable

Regulations, Policies & Procedures

- Other General Issues

Revision of Budget and Program Plans

Sponsor approval for substantial deviations (A-110, Subpart C, § .25)

- ▶ **Research General Terms and Conditions** (1/25/08 Federal Register)
 - > The recipient must obtain the prior written approval of the Federal awarding agency before making any of the following project changes:
 - 1) Change in scope or objectives (even if no budget revision)
 - 2) Absence (> 3 months or 25% reduction in effort) or change of PI
 - 3) Need for additional federal funds (clearly no Federal liability)
 - 4) Transfer of a significant part of the research (e.g. subagreement)
 - > As agencies implement, they can supplement the core set with agency specific, program specific, or award specific administrative requirements.
 - ~ For example, NSF incorporated effective 7/1/08 on all new grants and funding increments BUT, added a prior approval requirement for “reallocation of funds budgeted for participant or trainee support costs”

Regulations, Policies & Procedures

- Other General Issues

Revision of Budget and Program Plans (cont.)

- ▶ Understanding the Effects of Re-budgeting
 - > Re-budgeting between exempt direct cost and non-exempt direct costs
 - ~ Re-budgeting to exempt costs (e.g. equipment) from non-exempt (e.g. salaries) results in a reduction to F&A cost line which can be re-budgeted
 - ~ Re-budgeting from exempt costs to non-exempt costs, requires budget change to provide for additional F&A cost

- ▶ UA Best Practices –Budget Procedures for Grants and Contracts, found at: http://osp.ua.edu/Budget_PP.pdf

Regulations, Policies & Procedures

- Other General Issues

Fixed-Price Agreements - Payment is not subject to adjustment based on cost incurred. Billing(s) are not based on actual expenditures.

- ▶ Residual funds revert to the University
 - > ***Beware of falsification in proposing/estimating costs***
 - > 25% residual may indicate:
 - ~ Change in scope
 - ~ Shift of expenses to department or other sponsored agreements
 - > Not an excuse for inconsistent accounting practices!!!
- ▶ Issues are related to Consistency
 - ~ From proposing to charging to reporting

Regulations, Policies & Procedures

- Other General Issues

And Finally, Close-out!

- ▶ Need for timeliness
 - > Start while the grant is still active
 - ~ Is it really time to closeout? Extension should be requested well in advance of end-date
- ▶ Retention and access requirements for records
 - > UA retains official records centrally
- ▶ Best Practices
 - > Communicate throughout the life of the project
 - > Review project expenses throughout life of the project

Thank You!

Office for Research

Office for Sponsored Programs

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Education for Research Administrators

<http://osp.ua.edu/RASG.html>