Financial Stewardship of Sponsored Project Funds
Research Administration at UA

Office for Research and Economic Development

> Office for Sponsored Programs
> Contract and Grant Accounting
> Research Compliance
> Technology Transfer
> Etc., http://ovpred.ua.edu/senior-staff/
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.

A web-based system called Sponsored Projects Dashboard (SPD) is available to assist the PI with managing financial activity in an easy to understand format. SPD is real-time accounting (Banner Data) that reflects budget, expenses, encumbrances and available balance. SPD is easy to read and can be exported to Excel for analysis, review and forecasting. SPD also reflects percentage of available balance remaining, percentage of time remaining and calculation of number of months remaining, to help the PI review and ensure that project funds are spent timely and appropriately during the lifespan of the award.

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

Almost 70% 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
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

> Administered by Office of University Advancement
Regulations, Policies & Procedures

Federal

> Office of Management & Budget (OMB) – 2 CFR 200
  – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (aka Uniform Guidance)
> 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

Uniform Guidance

https://ecfr.io/Title-02/pt2.1.200

> Subpart C – Preaward requirements
> Subpart D – Postaward requirements
> Subpart E – Cost principles (formerly in OMB Circular A-21)
> Subpart F – Audit requirements
Regulations, Policies & Procedures

Federal Acquisition Regulation (FAR)

> Applicable to federal procurement awards (contracts)
> Policy and procedure manual for issuance of federal procurements
> Replaces administrative requirements of UG (cost principles of UG still apply)
  • Contracts often include FAR clauses that are more restrictive than UG
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
Regulations, Policies & Procedures
Federal – Order of Precedence

- Award
- Special Conditions
- Program Rules
- Agency Rules
- OMB Circulars and/or FAR
Regulations, Policies & Procedures
- Overarching/General

Allocable, Reasonable, Allowable, Consistent

UA Spending P&P
Conference & Meeting
Professional Services
Payroll P&P
Effort P&P
Regulations, Policies & Procedures
- Overarching/General

Factors affecting allowability of costs (UG Subpart E)

▸ 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 (UG Subpart E)

▶ 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
Factors affecting allowability of costs (UG Subpart E)

- Consistent treatment
  - Consistency in estimating, accumulating and reporting
    ~ From proposing to charging to reporting
Factors affecting allowability of costs (UG Subpart E)

- Consistency in allocating costs incurred for the same purpose

“it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards” (2 CFR 200.412)
Consistency in allocating costs incurred for the same purpose

> Direct Costs
  ~ Can be identified specifically with a particular project or activity
  ~ Support the project’s purpose and activity
  ~ Are included in award budget or there is sponsor approval for re-budgeting
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
- 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
- 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

\[ \text{Numerator Expenses} \]

\[ \text{Denominator Expenses} \]

\[ = \text{F&A Rate} \]

**MTDC of:**
- Sponsored Research Agreements
- University Research
- Cost Sharing/Matching on Research Agreements
Consistency in allocating costs incurred for the same purpose

Salaries of administrative and clerical staff should normally be treated as F&A costs. Direct charging may be appropriate if all the following conditions are met:

1) Administrative or clerical services are integral to a project or activity;
2) Individuals involved can be specifically identified with the project or activity;
3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
4) The costs are not also recovered as indirect costs.

(2 CFR 200.413)
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://ovpred.ua.edu/sponsored-programs/research-forms/

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
Factors affecting allowability of costs

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

  - Unallowable Activities
    - Fundraising
    - Lobbying
    - Alumni Activities
    - Public Relations

  - Unallowable Transactions
    - Alcoholic Beverages
    - Fines & Penalties
    - Advertising
    - Entertainment

Directly associated costs of unallowable activities and transactions are also unallowable
Regulations, Policies & Procedures
- Overarching/General

Procurement Standards
“The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.” (2 CFR 200.318)

- 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/](http://accountspayable.ua.edu/)

- Approval & signature authority – Signature Authority Policy
  > [http://ovpred.ua.edu/sponsored-programs/policies-and-procedures/](http://ovpred.ua.edu/sponsored-programs/policies-and-procedures/)
Regulations, Policies & Procedures
- Overarching/General

Property Standards (Equipment)

- UA’s Equipment Threshold = > $5,000
- UA’s policy to ensure allocability does not allow for purchase of equipment in the last 90 days of the project without documented support for allocability (i.e. it will be questioned)

- Property Management Policies
  > [http://fawp.ua.edu/propertyandinventory/](http://fawp.ua.edu/propertyandinventory/)
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?)
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.

Cost Transfer Policy and Cost Transfer Request form:
http://ovpred.ua.edu/sponsored-programs/policies-and-procedures/
Regulations, Policies & Procedures
- Overarching/General

Cost Sharing (2 CFR 200.29)

- The portion of project or program costs not funded by the sponsor

- UA Cost Sharing Policies, Procedures and Instructions at:
  http://ovpred.ua.edu/sponsored-programs/policies-and-procedures/
Regulations, Policies & Procedures
- Overarching/General

Cost Sharing

▸ 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

► 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

► 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

- Salaries/Compensation for personal services
  (2 CFR 200.430)

  - Paid for services of employees
  - Must conform to UA policies
  - Must meet standards for documentation...
Regulations, Policies & Procedures  
- Selected Items of Cost

➤ Standards for Documentation of Personnel Expenses  
  > Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed  
  > Seven standards and an emphasis on internal controls

➤ UA accomplishes this through a web based Effort Reporting System (ERS) http://ovpred.ua.edu/contract-grant-accounting/effort-reporting/  
  > Instructions for using system  
  > UA Effort Reporting Policies and Procedures (including Effort Reporting Fundamentals)
Regulations, Policies & Procedures
- Selected Items of Cost

► Salaries/Compensation for personal services

> Extra Service Pay (Supplemental)

~ Intra-Institution consulting by faculty is assumed to be undertaken as an Institutional obligation requiring no compensation in addition to IBS.

~ Extra Compensation/Supplemental Pay Policy
http://ovpred.ua.edu/sponsored-programs/policies-and-procedures/

> Issues with 100% salary charged to sponsored projects, even in summer

~ e.g. new proposal submissions
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
- Zero %/$ effort/salary of PI is a de facto commitment!
- NSF now specifically prohibits inclusions of voluntary committed cost sharing in proposals

Minimum Allowable PI Effort:
http://ovpred.ua.edu/sponsored-programs/policies-and-procedures/
Regulations, Policies & Procedures
- Selected Items of Cost

► Tuition (2 CFR 200.466 Scholarship and student aid costs)
  > UA policy, Tuition, Stipends and Other Student Payments at: http://ovpred.ua.edu/sponsored-programs/policies-and-procedures/

► Travel (2 CFR 200.474 Travel costs)
  > UA policy is applicable!!!!
  > Allocability is a typical audit question (particularly 100%)
  > Fly America Act

► Professional Services Costs (2 CFR 200.459)
  > “Adequacy of the contractual agreement” is very important
Regulations, Policies & Procedures
- Selected Items of Cost

► Subrecipient Monitoring and Management
  > Subrecipient Monitoring Policy
    http://ovpred.ua.edu/sponsored-programs/policies-and-procedures/
  > Subrecipient Versus Vendor Checklist and Notification to Subrecipient memo
    ~ Effect on budget! Also, Vendor (Professional) vs Employee*

* Budget plus Extra Compensation issues
Facilities & Administrative (F&A) Cost Rate
- UA’s Current Federally Negotiated Rates
  http://ovpred.ua.edu/sponsored-programs/proposal-preparation/

Negotiated rates assume a Modified Total Direct Cost (MTDC) Base
- Calculated on a subset of direct costs, normally excluding equipment, tuition, participant support, the portion of subcontract costs in excess of $25,000

On/Off Campus Facilities & Administrative (F & A) Rates Application
  http://ovpred.ua.edu/sponsored-programs/policies-and-procedures/

F&A costs are real costs of carrying out sponsored project activities. UA must fund these costs from other sources when not reimbursed by sponsors (i.e., full negotiated rate not charged).
Program Income (2 CFR 200.307)

- 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)
► Payment (2 CFR 200.305)
  > 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

The approved budget for the Federal award summarizes the financial aspects of the project or program as approved during the Federal award process (2 CFR 200.308)

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) Change in a key person specified in the application or award
3) Disengagement from the project (> 3 months or 25% reduction in effort) by PI
4) Transfer of a significant part of the research (e.g. subagreement)
5) Transfer of funds budgeted for participant support cost

Agencies can supplement the core set with agency specific, program specific, or award specific administrative requirements.
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

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://ovpred.ua.edu/sponsored-programs/training-and-tips/