Sponsored Projects Post Award

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Goals for this Presentation

✓ To provide some useful information, and not make sponsored projects experts
✓ To convey the importance of accuracy and timeliness
✓ To emphasize Importance of Leadership
✓ To have some fun
Presentation Overview

- Importance of Monitoring Sponsored Agreements
- Importance of Some Less Visible Activities
- Role of Business Officer
Importance of Monitoring Sponsored Projects

- Federal Regulations
- Categories of Costs
- Cost Accounting Standards
- Expense or Cost Transfers
- Cost Sharing
- Effort Reports & Payroll Certifications
- NIH Salary Cap
- NSF Salary Cap
- Application of the Facilities and Administration Rate
What best characterizes your perception of a Federal Auditor?

1. Imaginative, synthesizing, artistic, holistic and conceptual.
2. Interpersonal, emotional, musical, and spiritual.
3. Controlled, conservative, planned, organized and administrative in nature.
What best characterizes your perception of a Researcher?

1. Imaginative, synthesizing, artistic, holistic and conceptual.
2. Interpersonal, emotional, musical, and spiritual.
3. Controlled, conservative, planned, organized and administrative in nature.
Federal Regulations

OMB Circular A-21

• Cost Principles for Educational Institutions for Grants, Contracts, and Other Agreements.

Please see “OMB Circulars” at: http://www.whitehouse.gov/WH/EOP/OMB/html/circulars/a021/a021.html
Federal Regulations

OMB Circular A-21

- Defines types of costs.
- Defines Principles for consistent treatment of costs.
- Incorporates certain Cost Accounting Standards Including Disclosure Statement (DS-2) Requirement.
Federal Regulations

OMB Circular A-110

• Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations.
Categories of Costs

Direct
Facilities and Administrative (a.k.a. Indirect)
Unallowable
Categories of Costs

Direct Costs

• Costs easily identified with a specific sponsored project.

• Costs assignable with a high degree of accuracy to a sponsored project.

• Program-Specific Activities.

• Examples: Salaries, lab supplies, travel, equipment, sub-contracts.
Categories of Costs

Facilities and Administrative Costs

• Costs that cannot be specifically identified with a particular sponsored project.
• Examples: Chancellor’s Office, Dean’s Office, Payroll Office, building maintenance.
• F&A costs are recovered through the application of a negotiated rate.
• Sometimes called: “Indirect costs”
Categories of Costs

Unallowable Costs

- Costs which may not be allocated to sponsored projects, either as direct or indirect costs.
- Examples: Lobbying, public relations, alcoholic beverages, first-class air travel, fund raising.
Cost Accounting Standards

Four Standards for Higher Education:

- 501
- 502
- 505
- 506
Cost Accounting Standards

Standard 502 requires consistency in:

A. Reporting Costs 0%
B. Allocating Costs 0%
C. Estimating Costs 0%
D. Transferring Costs 0%
Cost Accounting Standards

- 501: Consistency in accumulating & reporting costs
- 502: Consistency in costs incurred for the same purpose
- 505: Accounting for unallowable costs.
- 506: Cost accounting period.
- Disclosure Statement, referred to as DS-2
Cost Accounting Standards

- Goal is consistent charging of expenses throughout the Campus.
- Example: For all departments, equipment maintenance agreement expenses would have to be consistently charged as direct or F&A.
- Important to understand your campus’ costing practices.
Expense Transfers

The process of moving expenses from one account/fund/sub/object code to another
Expense Transfers

Expense transfers can only be made under the following conditions:

- To correct an erroneous recording
- To record a change in the original decision
- To redistribute high-volume, low-cost charges
Expense Transfers

Expense transfers must meet the following tests:

• Have general ledger reference from the original charge.
• Fully explained, justified, and authorized.
• Supporting documentation.
• Timely
Expense Transfers

Expense transfers must be timely. How many days after the original posting to the ledger do you have to make a timely expense transfer?

A. 45 days
B. 60 days
C. 90 days
D. 120 days
Expense Transfers

Record the expense correctly the first time!
Cost Sharing

- Costs which support a project, but not funded by the granting agency.
- Included as part of the project’s budget.
- Allowable costs.
- Funded by the institution.
- Used only once.
- If you proposed cost sharing, make sure you meet your commitment!!
NIH Salary Cap

What is the NIH Salary Cap expressed in an annual salary amount?

A. $181,700
B. $179,700
C. $199,700
D. $208,700
NIH Salary Cap

• An Employee’s rate of pay can not exceed the approved NIH salary cap of $ per month ($ per year).

• The salary cap amount usually changes every year.
NIH Salary Cap Example

- Monthly Salary = $20,000
- Sponsored Project Percentage = 10%
- Chargeable to the Project = $ (10% of max rate $)
- Not $2,000 (10% of $20,000)
- The difference ($) must be charged to non-federal funds
Documentation to Support Salary Charges

• Applies to salary expenses charged to:
  – Federal awards
  – Federal flow-through awards
  – Cost sharing

• Effort Reports at most campuses

• Payroll Certification Reports at:
  – Riverside
  – Irvine
Effort Reporting (PARS)

- Requires reporting effort for 100% of an individual's activities
- After-the-fact certification
- Completed on a scheduled basis
- Charges are acceptable if % of effort = % of salary charged
Payroll Certifications

• Does not use “effort” concept
• Does not report on 100% of a person’s activities
• Salaries charges are “Reasonable in relation to work performed”.
• Certifies “special costing requirements”.
• Completed annually at the end of a project’s budget year.
• Also supports salary cost sharing.
NSF Salary Limit

During a year time period, Senior Project Personnel are limited to how many months of their salary being charged to NSF awards?

A. 1 month
B. 2 months
C. 3 months
D. 4 months

A B C D
## Charging Awards for Facilities and Administrative Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$100,000</td>
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<tr>
<td>Benefits</td>
<td>$30,000</td>
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<tr>
<td>Lab supplies</td>
<td>$70,000</td>
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<tr>
<td><strong>Total Direct</strong></td>
<td><strong>$200,000</strong></td>
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<tr>
<td>F&amp;A (% determined)</td>
<td>$50,000</td>
</tr>
<tr>
<td><strong>Total Charged</strong></td>
<td><strong>$250,000</strong></td>
</tr>
</tbody>
</table>
Importance of Less Obvious Post Award Activities

- Billing and Accounts Receivable
- Letters of Credit
- IDC Revenue
- Audit management
Billing and Accounts Receivables

- Generally electronic billing
- Billing frequency: generally monthly
- Monthly Accounts Receivable reconciliations
Letters of Credit

- DPM (Division of Payment Management) for regular DHHS and ARRA DHHS
- Fastlane - for NSF regular and ARRA
- Cash draws as often as needed and based on cash forecasting information
- Quarterly reconciliations
Facilities and Administrative (F&A) Revenue Management

• How is F&A revenue distributed to schools, departments, and/or PIs?
• Distribution order: Budget Office, Deans, Department Chairs, PIs
Managing Audits and Reviews

- A-133 (Federal)
- NSF (Federal)
- NIH (Federal)
- Other Federal Agencies
- State of California
- Private Industry
- Note: Always Keep Internal Audit and Contracts and Grants Accounting informed
Audit Liability

- Univ. of Minnesota: Misuse of federal funds: $32 million
- New York University Medical Center: inflated grant costs: $15.5 million
- Florida International University: effort issues & direct costs: $11.5 million
- Mayo Foundation: misuse of federal funds: $6.5 million
- Northwestern University: committed time and effort: $5 million
The Role of the Business Officer:

- Understand OMB A-21.
- Be aware of additional award restrictions.
- Exercise good judgment.
Overview

The Role of the Business Officer:

- Demonstrate accountability.
- Know where to find help.
- Strengthen internal controls.
- Document! Document! Document!
- Business Officers provide essential leadership!
THE END!
QUESTIONS??