Sponsored Projects
Post Award

Jim Corkill
Controller
University of California, Santa Barbara
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
Upon being hired how long did it take you to feel that you understand how UC operates?

1. 6 months – 1 year
2. 1-3 years
3. 3-5 years
4. Still figuring it out
Current Funds FY 1994

- Tuition & Fees
- Federal
- State
- Gifts, Grants & Contracts
Current Funds FY 2000

- Tuition & Fees
- Federal
- State
- Gifts, Grants & Contracts
Current Funds FY 2009

- Tuition & Fees
- Federal
- State
- Gifts, Grants & Contracts
Current Funds FY 2012

- **Tuition & Fees**
- **Federal**
- **State**
- **Gifts, Grants & Contracts**
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

- 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?

1. 45 days
2. 60 days
3. 90 days
4. 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!!
Effort Reporting (PARS)

- Requires reporting effort for 100% of an individuals activities
- After-the-fact certification
- Completed on a scheduled basis
- Charges are acceptable if % of effort = % of salary charged
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
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.
NIH Salary Cap
What is the NIH Salary Cap expressed in an annual salary amount?

1. 181,700
2. 179,700
3. 199,700
4. 208,700
NIH Salary Cap

• An Employee’s rate of pay can not exceed the approved NIH salary cap of $14,975 per month ($179,700 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 = $1,497
  (10% of max rate $14,975)
- Not $2,000 (10% of $20,000)
- The difference ($503) must be charged to non-federal funds
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?

1. 1 month
2. 2 months
3. 3 months
4. 4 months
Charging Awards for Facilities and Administrative Costs

Salary $100,000
Benefits $30,000
Lab supplies $70,000
Total Direct $200,000
F&A (% determined) $50,000
Total Charged $250,000
Importance of Less Obvious Post Award Activities

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