

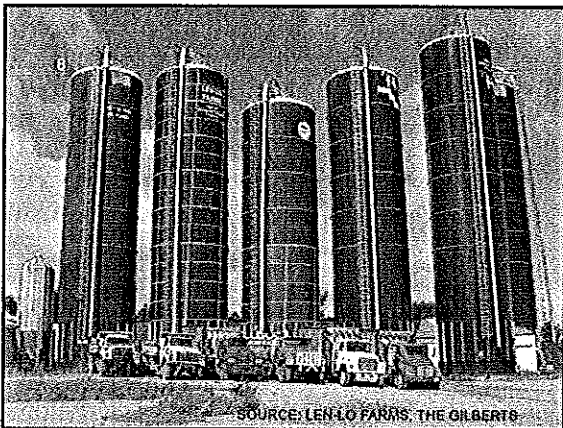
To Succeed Together...
Make a concerted effort within your institution to
break down the
SILO EFFECT

The Silo Effect
The phrase "silo effect", popular in the
business and organizational
communities, refers to a lack of communication
and common goals
between departments in an organization.

The Silo Effect

Information silos are becoming far more recognized as the major reason why organizations are unable to take full advantage of the power to interconnect business processes and successfully share knowledge, expertise and experiences.

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Grant, Contract or Cooperative Agreement?

As a research administrator, why do I care?

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Grant, Contract or Cooperative Agreement?

Governed by:

Grant and Cooperative Agreement Act of 1977

Cost Principles

OMB Circular A-21 - Cost Principles for Educational Institutions

OMB Circular A-122 - Cost Principles for Non-Profit Organizations

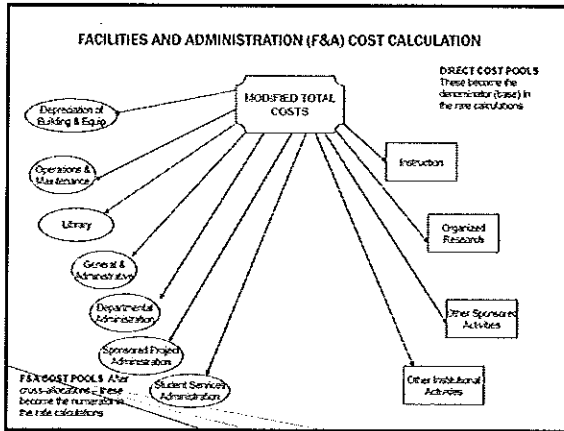
45 CFR Part 74, Appendix E - Principals for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals

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Uniform Administrative Requirements

OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, & Other Non-Profit Organizations

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**University of NCURA
Fiscal Year 20XX
Rate Schedule - Research**

	F&A	MTDC	%	
General Admin	12,195	180,648	6.75	
Department Administration	32,840	180,648	18.28	
Sponsored Programs Admin	6,405	108,648	3.64	
Administration:			28.67	26.00
Building Use Allow	5,035	127,343	3.95	
Equipment Use	2,822	127,343	2.22	
Building Interest	850	127,343	.87	
Operating & Maintenance	25,445	127,343	19.98	
Library	2,822	161,659	1.75	
Facilities			28.57	
Total on Campus Rate (as calculated)			57.24	54.57
Total Off Campus Rate(as calculated)			28.67	26.00

Simplified F&A Rate Calculation

Numerator Expenses:

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

= F & A Rate

Denominator Expenses:

- Sponsored Agreements
- Non-Sponsored Dept. Research
- Cost Sharing/Matching

What is a Direct Cost?

Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

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Direct Cost Application

The determining factor in distinguishing direct from F&A costs of sponsored agreements is the "identification with the sponsored work rather than the nature of the goods and services involved."

"Tie it to the Scope of Work"

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Key Definitions

• "Research" is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. "Development" is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities

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Tie to the Scope of Work

- › Every scope contains a hypothesis. Research tests that hypothesis and provides meaningful results, whether the data supports or refutes the hypothesis.
- › Scopes of Work should have meaningful titles. They should be informative – it is a significant piece of information that is unique, relevant and a clear description of the research plan that conveys:
 - What will the project do
 - How will it be done
 - What will the anticipated results be

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Why were you awarded....

- › To fund work that can seriously impact society and advance science.....to improve health, to improve the food supply and food safety, to measure the impacts of climate and global warming, to study terrorism and the response to terrorism, to enhance the quality of life through personalized medicine, to study language, literature and culture.....

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So when you document your decisions....

- › Be original and relevant
- › Be accurate and use keywords related to the abstract
- › Follow the mission-relevant, scope
- › Use results driven words
- › Know what you are talking about

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Why tie the title and abstract to the documentation?

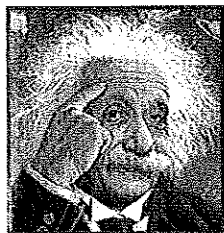
- › It is the title and abstract that are used to report to Congress....

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While you write your justification.....and supporting documentation

- › Remember that the original Project Summary/Abstract is a brief writing that describes the scope of work. It is the Principal Investigator's story of his proposed research endeavors. The expenditures, documentation and subsequent justification should support that story. Each item should have a place within the story.

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Think about the relationship of the transaction to the scope of work and
TELL A STORY.

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But First, Keep in Mind What is
PUBLIC PERCEPTION

What does the ordinary taxpayer
envision when they hear the
phrase, "RESEARCH"?

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BUT...

Is all research the
typical bench science?

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Disciplines

What are the various areas
of research at your
institution?

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Allowability

Reasonable
Allocable
Allowable

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Reasonable

A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.

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Allocable

"goods or services involved are chargeable or assignable to the project in accordance with relative benefits received or other equitable relationship. A cost is allocable to a sponsored agreement if:

- (1) it is incurred solely to advance the work under the sponsored agreement;
- (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods.

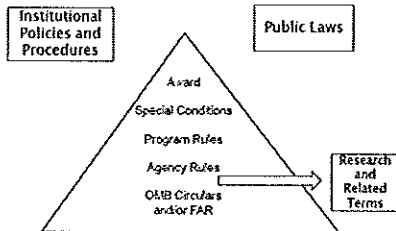
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Allowability of Costs

- › Principles to be applied in establishing the allowability of certain items involved in determining cost:
- › These principles should apply irrespective of whether a particular item of cost is properly treated as direct cost or F&A cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost. In case of a discrepancy between the provisions of a specific sponsored agreement and the provisions below, the agreement should govern.

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Order of Precedence



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Have you read the audits?



New Concerns:

F6b!

OMB Circular A-21

F.6.b - How do I survive?

Salaries of technical staff, laboratory supplies (e.g., chemicals), telephone toll charges, animals, animal care costs, computer costs, travel costs, and specialized shop costs shall be treated as direct cost wherever identifiable to a particular sponsored program.

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OMB Circular A-21

F.6.b - How do I survive?

Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A costs.

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OMB Circular A-21

F.6.b - How do I survive? Definition of Major Program

"Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments.

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A-21 F.6.c

- › (3) Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A costs.

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OMB Circular A-21

F.6.b - How do I survive? - Examples of Major Programs

- › Large, complex programs such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
- › Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting (such as epidemiological studies, clinical trials, and retrospective clinical records studies).
- › Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.

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A-21, Section J. 18. *Equipment and other capital expenditures.*

- › (2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the institution for financial statement purposes, or \$5000.

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Compensation/Effort - Page 46

- ▶ J.10.d Salary rates for faculty members
 - Salary rates must be based on regular compensation.
 - In no event will charges to sponsored agreements exceed the proportionate share of the base salary for that period.

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Effort - Page 53

- ▶ J.10.d (continued)
 - "Since intra university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full time base salary, the principle also applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member of the same institution...."

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Effort - Page 53

- › J.10.d.(2) Periods outside the academic year
 - Work performed during summer months will be paid a rate not in excess of the base salary divided by the period to which the base salary relates.

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Effort Reports
A-21 J.10.c.2.c - Page 51

- Reports will reasonably reflect the activities for which employees are compensated
- Reports will be signed by the employee, principal investigator or responsible official(s) using suitable means of verification that the work was performed.

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Effort Reporting

What about individuals charged 100% to sponsored awards. Do I have any risk areas to be concerned about and monitor?

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Effort Reporting – Page 80

38. Proposal costs.

Proposal costs are the costs of preparing bids or proposals on potential federally and non- federally funded sponsored agreements or projects, including the development of data necessary to support the institution's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as F&A costs.

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Effort Reporting – Areas of Risk

- › Multiple sources of pay (e.g., affiliated entities, hospitals, faculty practice plan)
- › NIH salary cap
- › Summer salaries
- › Cost transfers not incorporated into certification (i.e., salary dollars are transferred to/from a project after the certification process and there is no "recertification")

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J.42.Recruiting – Page 81

- a. "...costs of 'help wanted' advertising" ... are allowable.
- b. In publications, costs of help wanted advertising that includes color,or is excessive in size are unallowable.

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J.53.Travel - Page 88

Commercial air travel.

(1) Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would:

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J.53.Travel

c.(1) (e)

offer accommodations not reasonably adequate for the traveler's medical needs. The institution must justify and document these conditions on a case-by-case basis in order for the use of first-class airfare to be allowable in such cases.

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Meals and Meetings - Page 77

32. Meetings and Conferences.

Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. But see section J.17, Entertainment costs.

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Entertainment – Page 65

17. *Entertainment costs.*

Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable...
ALWAYS?

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A-110

- ▶ ___.25 Revision of budget and program plans.
- ▶ (a) The budget plan is the financial expression of the project or program as approved during the award process.
- ▶ It shall be related to performance for program evaluation purposes whenever appropriate.

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A-110 __.25 Continued

- ▶ (b) Recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions, in accordance with this section.

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A-110 Section __25 Continued

- › (2) Change in a key person specified in the application or award document.
- › (3) The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
- › (4) The need for additional Federal funding.

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Definition:

- › Prior approval means written approval by an authorized official evidencing prior consent.

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Cost Transfers

What are they?

What is the problem?

What makes the problem bigger?

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Cost Transfers

An after-the-fact reallocation of the cost, either salary or non-salary, to a sponsored project within a 90-calendar day period from the accounting date of a transaction.

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Late Cost Transfers

What does your Institutional Policy say?

How good are your justifications?

How good is your supporting documentation?

Are all cost transfers bad?

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Cost Transfers

Hot topic for the audit community...

WHY?

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Cost Transfers

When the charge was originally allocated, we certified that:
The cost was identified specifically with that particular sponsored project, or that it was directly assigned to such activities relatively easily with a high degree of accuracy.

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Cost Transfers

- › “Transfer(s) must be supported by documentation that contains a full explanation of how the error occurred...”
- › “An explanation that merely states ‘to correct error’ or ‘to transfer to correct project’ is not sufficient.”
- › “It should be noted that frequent errors in the recording of costs may indicate the need to review the accounting system and/or internal controls.” (DHHS Grants Manual)

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Cost Transfers

› **Document! Document! Document!**

When transfers are required —
“Defend the Debit”

- Auditors want to know why the award was charged for the expense

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A-133.210 Subrecipient

Has its performance measured against whether the objectives of the Federal program are met;

Has responsibility for programmatic decision making;

Has responsibility for adherence to applicable Federal program compliance requirements

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A-133.210 Vendor

Provides the goods and services within normal business operations

Is not subject to compliance requirements of the Federal program

Provides similar goods or services to many different purchasers

Operates in a competitive environment;

Provides goods or services that are ancillary

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Monitoring Subrecipients

› When you sub out a "portion of the work effort", what types of monitoring procedures should you have in place and how often should you monitor the work of your sub?

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Putting the Circulars to work

CASE STUDIES

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