

Post Award Overview
Part II

Session #22
USDA Administrative Officers
Meeting

Today's Instructors

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- Brian Sevier

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Today's Instructors

- Tracy Walters

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Current Director – *Grant & Contract Financial Administration*

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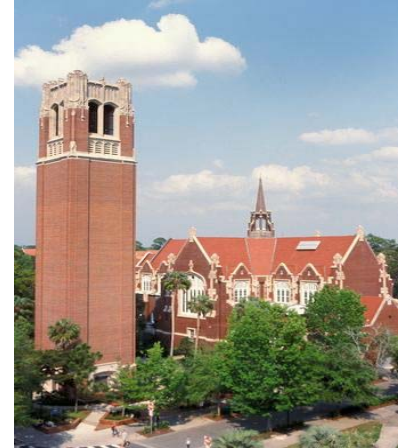
Univ. of Wisconsin - Madison

- Total Students – 42,041
 - CALS Enrollment – 3,279
- AAU Membership (1900)
- NSF Ranking (2006) – #2 overall
- FY 2007 Funding Amount --\$1B
 - CALS Awards = \$80.7M



University of Florida

- Total Students = 51,599
 - CALS Enrollment = 4,728
- AAU Membership (1985)
- NSF Ranking (2006) – #17
- FY 2007 Funding Amount -\$583M
 - IFAS Awards = \$93.5M



University of Georgia

- Total Students = 33,831
 - College of Agriculture 1,816
- NSF Ranking (2006) - #53
- FY 2007 Funding Amount - \$210.7M
 - College of Agriculture & Environmental Sciences - \$40.9M



Today's Agenda – Part II

- Recap of Part I (Nancy Wilkinson)
- Why the Rules Matter? (Tracy Walters)
- Selected Post Award Issues
 - Disclosure Statement (Tracy Walters)
 - Cost Principles (Carol Hillmer)
 - Cost Transfers (Brian Sevier)
 - Best Business Practices (Brian Sevier)
 - Closeout (Nancy Wilkinson)
- Questions

Recap of Part 1 Overview?

Instructor: Nancy Wilkinson

- What is Post Award?
- Regulatory Framework
 - A-21
 - A-110
 - A-133
 - USDA CSREES

Why the Rules Matter?

Instructor: Tracy Walters

- Rules of the Game
- Regulatory Framework
- University Disclosure Statement
- Selected Post Award Issues
 - Application of Cost Principles
 - Cost Transfers
 - Best Business Practices
 - Account/Award Closeout

Rules of the Game

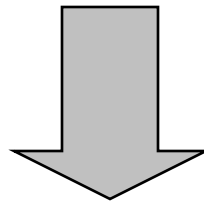
- Congress appropriates and the Office of Management and Budget (OMB) allocates
- OMB assures that grants are managed properly and that Federal dollars are spent in accordance with prescribed cost principles, administrative, and audit requirements (A-21, A-110, and A-133)
- Cost accounting standards (CAS) are based on applicable regulations and designed to facilitate consistency in estimation, accumulation, and reporting

Rules of the Game *(Continued)*

- Federal Regulations (A-21, A-110, A-133, Cost Accounting Standards)
- Statutory Requirements (NSF 1% Cost-Share)
- Presidential Executive Order (NIH Salary Cap Limitations)
- State Regulations
- Terms and Conditions of Award Imposed by Sponsor (*NSF Grants Policy Manual, NIH Grants Policy Statement, USDA CSREES Standard Terms and Conditions*)

Regulatory Framework

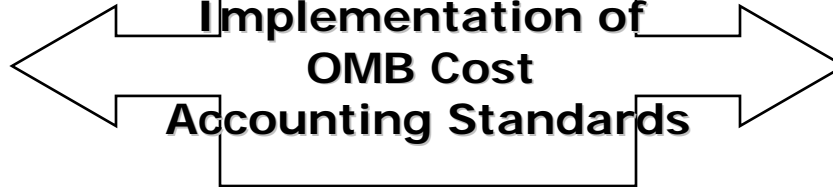
OMB Circulars
A-21, A-110, A-133



Pre-Award
Budget
Development

Implementation of
OMB Cost
Accounting Standards

Post-Award
Financial
Oversight



Regulatory Framework *(Continued)*

Disclosure Statement

- The Disclosure Statement (DS-2) is a document that explains (fiscal roadmap) how the University performs its cost accounting practices. The federal government wants to know how the University treats direct & F&A (indirect) costs, comply with Cost Accounting Standards, and that the institution actually follows these disclosed practices.
 - DS-2 provides formal guidelines for:
 - Charging direct & F&A (indirect) costs
 - Tracking & reporting cost sharing
 - Tracking & reporting time & effort
 - Accounting for Service Centers
 - Cost Transfers
- Required by Office of Management & Budget (OMB) Circular A-21.
- Without an approved DS-2 future federal funding is at risk.

Important Post Award Issues – Cost Principles

Instructor: Carol Hillmer

- Cost Accounting Standards (CAS)
- Cost Principles
- Section F.6.b (from A-21)

CAS

- CAS 501:
 - Costs in both federal and non-federal sponsored projects must be treated consistently
 - Amounts budgeted in proposals should correspond to actual project expenses incurred
 - Cost sharing is a commitment

CAS *(continued)*

- CAS 502:
 - Administrative costs cannot be charged directly to a sponsored project
 - Costs incurred for the same purpose, in like circumstances, must be treated as Direct costs or F&A costs only

CAS *(continued)*

- CAS 505
 - Unallowable costs must be identified and excluded from any billing, claim, application, or proposal
 - Accounting system must identify unallowable costs (e.g., alcohol, bad debt expenses, entertainment)

CAS *(continued)*

- CAS 506:
 - Educational institutions must use their fiscal year as their cost accounting period

Cost Principles

- **Reminder: Costs are reimbursable by the Federal Government ONLY if they are:**

Necessary

Reasonable

Allocable

Allowable

Consistently treated

Permissible

See A-21 Section C

A-21's F.6.b

- OMB Circular A-21 Section J defines 54 specific categories of costs and assigns them to the categories of allowable and unallowable
- Section J instructs grantees on the acceptable treatment of allowable costs as either direct costs or F&A costs

A-21's F.6.b *(continued)*

- Costs normally treated as F&A costs:
 - Administrative and Clerical Salaries
 - Telecommunications -- Local Telephone Service
Including phone equipment such as telephones, cell phones, pagers, fax machines, and line charges

A-21's F.6.b *(continued)*

- Dues and Memberships
- Office Supplies
- Postage
Including U.S. Postal Service, Federal Express, UPS
- Subscriptions, Books, and Periodicals

A-21's F.6.b *(continued)*

- **General Purpose Equipment**
Non-research equipment which may be used for general office purposes such as desktop computers, laptop computers, printers, fax machines, copy machines, and office furniture
- **General computer services, networking costs, or other Central IT services**
- **Staff recruitment and relocation**

A-21's F.6.b *(continued)*

- **Exceptions:** A cost normally treated as an F&A cost may be appropriate as a **direct cost** on a Federally sponsored project if:
 - The cost is necessary, reasonable, allocable, allowable, and permissible under the law, terms/conditions of the award, and the circumstances are “unlike”

A-21's F.6.b *(continued)*

- “Unlike” circumstances may be determined by the nature of the project, such as those detailed in Exhibit C of OMB Circular A-21
- Examples:
 - Large, complex programs that entail assembling and managing teams of investigators
 - Projects involving extensive data accumulation, analysis/entry, surveying, tabulation, cataloging, reporting

A-21's F.6.b *(continued)*

- More examples:
 - Projects whose principal focus is preparation and production of manuals, reports, books
 - Individual projects requiring project-specific database management or individualized manuscript preparation
 - Projects which require extensive travel or meeting arrangements
 - Projects that are geographically inaccessible to normal department administrative services

A-21's F.6.b *(continued)*

- NOTE: These examples are not exhaustive, nor are they always appropriate as instances when assessment of administrative/clerical salaries would be allowed.

Important Post Award Issues – Cost Transfers

Instructor: Brian Sevier

- Health & Human Services (HHS)
 - Office of Inspector General (OIG)
 - 2007 Work Plan
 - Cost Transfers

Important Post Award Issues – Cost Transfers *(continued)*

- **HHS OIG 2007 Work Plan
Cost Transfers**

We will determine the allowability of cost transfers at NIH grantees. We will assess whether the transfers are supported by documentation that fully explains how errors occurred and whether responsible grantee officials certify the correctness of the new charges. Onsite visits by NIH during FYs 2000 through 2002 found that cost transfer policies and procedures tend to be nonexistent, incorrect, or confusing. Prior OIG work also found that cost transfers were unallowable and/or not appropriately documented. The potential effect of unreasonable, unallocable, or unallowable cost transfers is substantial, considering that the value of NIH grant funds awarded each year is approaching \$20 billion and increasing.

<http://www.oig.hhs.gov/reading/workplan/2007/Work%20Plan%202007.pdf>

Important Post Award Issues – Cost Transfers *(continued)*

- **NIH Grants Policy Statement**

Cost transfers to NIH grants by grantees, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered. The transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the grantee, consortium participant, or contractor. An explanation merely stating that the transfer was made “to correct error” or “to transfer to correct project” is not sufficient. Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable.

http://grants.nih.gov/grants/policy/nihgps_2003/NIHGPS_Part5.htm#_Toc54600120

Important Post Award Issues – Cost Transfers *(continued)*

- **Cost Transfers**

- OMB Circular A-21 Section C4b

- Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience

Important Post Award Issues – Cost Transfers *(continued)*

- **Cost Transfers**
 - Simply put – it is the shift of a transaction from one project to another
 - They should only be processed to correct for an accounting error!

Important Post Award Issues – Cost Transfers *(continued)*

- **Compliance Risks with Cost Transfers**
 - Excessive costs transfers on a single project (and to the audit community – this can be measured at the Institutional level)
 - Lack of documentation for justification of the cost transfer
 - Lack of Institutional policy, procedures, training and monitoring
 - Timely discovery and correction of errors
 - Late cost transfers
 - If effort – was the effort report updated?
 - Was the Financial Status Report (FSR) (or other reporting requirement) updated to reflect the cost transfer?

Important Post Award Issues – Best Business Practices

Instructor: Brian Sevier

- **Certify Effort accurately the First Time**
- **Allocate Expenses at the Time of the Transaction, not by Cost Transfer**
- **Maintain Current Policies and Procedures**
 - Test them because the auditors will
- **Train the Business Practices**
 - Faculty should participate not just administrators

Important Post Award Issues – Closeout

Instructor: Nancy Wilkinson

- What is Closeout?
- Roles and Responsibilities
 - PI
 - Department/College
 - Central Pre and Post Award
- Closeout strategies

What is Closeout?

- Process to finalize all sponsor requirements at the conclusion of the awards time period
 - *Each award will detail the requirements but typically these include:*
 - *Final Technical Report*
 - *Final Invention Report*
 - *Final Fiscal Report*

What is Closeout? *(continued)*

- OMB A-110 Section C.71

<http://www.whitehouse.gov/omb/circulars/a110/a110.html#71>

- Recipients shall submit, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award. The Federal awarding agency may approve extensions when requested by the recipient

What is Closeout? *(continued)*

- **USDA – CSREES**

<http://www.csrees.usda.gov/business/awards/awardterms.html>

- **General Terms & Conditions A**

<http://www.csrees.usda.gov/business/awards/termsa205.pdf>

- Issued February 2005

- **See Article 23 – Award Closeout**

- Financial Status Report (FSR) due 90 days following the expiration date

- Must show cost sharing

- Must not show unpaid obligations (encumbrance)

What is Closeout? (continued)

- See Article 23 – Award Closeout
 - Financial Technical Report
 - Is the award subject to CRIS (Current Research Information System)?
 - See Article 10; Must submit in final month before expiration and must indicate if there was an invention under this funding
 - Is Genome Sequencing Data developed under this award?
 - See Article 18; Sequence submitted to GenBank?
 - Animal or Plant specific guidance provided

Closeout Roles & Responsibilities

- Examine the full compliment of closeout requirements (e.g., property report) and fiscal aspects that must be completed (e.g., clearing encumbrances) before final financial can be generated
 - For each requirement; assign the “role” that will have the primary “responsibility” for the closeout item

Closeout Roles & Responsibilities *(continued)*

<i>Requirement</i>	<i>Responsibility</i>
Final Technical Report	Principal Investigator
Clearing Encumbrances	Department Fiscal Administrator
Final Invoice (draw)	Central Post Award

Closeout Strategies

- Ensure that “close out” requirements are documented when funding is released
 - Milestones in PeopleSoft
- Notification
 - 90,60,30 day notice to PI, Department Administrator are popular
 - UF is using 90, 45, Termination Notice
 - Pre Review of all outstanding milestones at 120 days
 - Consider No Cost Extensions too!

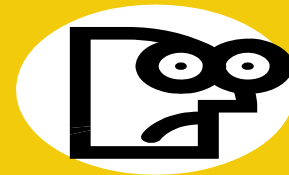
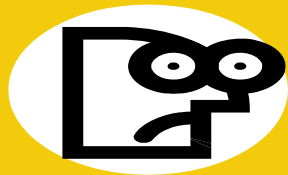
Closeout Strategies (continued)

- **Discuss Roles & Responsibilities**
 - Everyone is essential to ensure closeout is timely
- **Consider complexities**
 - **Subcontracts**
 - What is their end date? Final report and final invoice requirements?
 - **Internal subprojects**
 - Encumbrances; cost overruns

Closeout Strategies (continued)

- What about periodic Effort Reporting?
 - Impact on Cost Sharing
 - Impact on Final Invoice
- Closeout timeliness requires everyone to complete their assignments on time.
What if this doesn't happen?
 - Penalties?
 - Service Charge?

Questions & Comments



It's QUESTION TIME !!