Successful Stewardship:
The Effective Management of Sponsored Projects

Financial Compliance
Presented by Tim Patterson
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Introduction

Topics to be covered in this session:

- OMB Circular A-21
  Cost Principles for Educational Institutions

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

- OMB Circular A-133
  Audits of States, Local Governments, and Non-Profit Organizations
OMB Circular A-21

• Cost Principles for Educational Institutions
  – Defines the financial framework for administering Federally sponsored research
  – Describes the basis for calculating facilities and administrative ("F&A" or indirect) costs
  – Provides a reference section for determining how to charge specific, common costs
  – Familiar to most research personnel
Direct Charging Practices - A-21

• Factors affecting allowability of costs
  – Reasonable
  – Allocable
    • Incurred for the benefit of only one project or can be readily assigned to multiple projects which benefit from cost
  – Consistent
    • Similar costs incurred in like circumstances must be treated consistently
  – Allowable per OMB Circular A-21 or specific award provisions
Reasonable

• A cost is 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 (OMB Circular A-21, Section C.3.)

• Considerations in determining reasonableness
  – Cost is necessary for the operation of the institution or performance of an award
  – Cost is consistent with institutional policies
Allocable

- A cost is allocable if
  - The goods or services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received or other equitable relationship (OMB Circular A-21, Section C.4.)
  - Incurred for the benefit of only one project or can be readily assigned to multiple projects which benefit from cost

- Considerations in determining if the cost is allocable
  - It is incurred solely to advance the work under the sponsored agreement
  - It benefits both the sponsored agreement and other work of the institution
  - It is necessary to the overall operation of the institution and is deemed to be assignable in part to sponsored projects
Consistent & Allowable

• A cost is consistent if
  – The costs incurred for the same purpose, in like circumstances, are either direct costs only or F&A costs only with respect to final cost objectives (OMB Circular A-21, Section C.11.)

• A cost is allowable if
  – It conforms to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items (OMB Circular A-21, Section C.)
Direct Charging Policy

• Objective for Developing a Direct Charging Policy
  – General Principle: Where a particular type of cost is treated as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances **MUST** be treated as a direct cost for all activities of the institution
  – To provide clear guidance as to what costs constitute appropriate direct and indirect charges to sponsored projects
  – To achieve consistency in charging practices across the University
Direct Charging Policy

• Costs Typically Considered to be Direct Cost
  – PI or technician salary and fringe benefits
  – Technical equipment and lab supplies specifically required to complete goals of sponsored projects
  – Animal care costs
  – Subcontract costs
  – Travel
  – Long-distance telephone charges
  – Repairs and maintenance
  – Consulting fees
Direct Charging Policy – F&A Defined

- OMB Circular A-21 defines Indirect or F&A Cost as
  - Costs that are incurred for common or joint objectives and, therefore, cannot be readily and specifically identified with a particular sponsored project, instructional activity, or any other institutional activity

- Items Normally Treated as Indirect or F&A Costs
  - Administrative and clerical salaries
  - Office supplies
  - Regular postage
  - Telephone service
  - Other supply and related costs (e.g., photocopying)
Direct Charging Policy

• Administrative and Clerical Salaries
  – Salaries associated with normal administrative activity should be charged to department or other non-sponsored accounts
    • Proposal Preparation
    • Accounting
    • Payroll
    • Purchasing
    • Typing
  – Administrative and clerical salaries may be charged directly to sponsored accounts in specific, unlike circumstances (defined on the next slide)
Direct Charging Policy – Unlike Circumstances

- Unlike Circumstances
  - Generally exist when a sponsored project or activity, due to its size and nature, requires administrative or clerical services, supplies, postage and/or telecommunications costs that are well beyond the core of departmental support routinely provided for departmental activities
    - The project typically has a “major project” designation (OMB Circular A-21, Exhibit C)
  - Example of a major project
    - Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, etc.
Direct Charging Policy

• Office Supplies
  - General office supplies (e.g., pencils, paper, staples, etc.) or general purpose computer supplies (e.g., paper, diskettes, general purpose software) should be charged to department or other non-sponsored accounts
  - Office supplies may be charged directly to sponsored accounts when
    • The supplies can be specifically identified with the work of a particular project or group of projects
    • There is a high demand for the supplies as described in the budget justification
    • If supplies are used by multiple projects, the allocation between the projects is reasonable and documented appropriately
    • A project requires specific-purpose computer software
Direct Charging Policy

• Postage
  – Regular postage should be charged to department or other non-sponsored accounts
  – Regular postage may be charged directly to sponsored accounts when:
    • There is a high demand for postage as described in the budget justification
    • Postage can be specifically identified with the work of a particular project or
      group of projects
    • A meter or log is used to document the appropriateness of the charge to the
      sponsored project(s)
  – Overnight mail costs (e.g., FedEx, UPS) should be charged directly to
    sponsored accounts
Direct Charging Policy

• Telephone
  – Basic/local telephone service costs may be charged directly to a sponsored account when:
    • A dedicated line is installed solely for the performance of the project
    • The size and nature of the project requires extensive use of such a service which are described, in detail, in the budget justification to the sponsor
  
  – Long distance telephone service costs should be charged directly to sponsored accounts provided that:
    • Costs can be identified and allocated appropriately to the project or projects that received the benefit
    • The costs are reasonable and necessary to perform the project
Direct Charging Policy

• Inappropriate Direct Charging Practices
  – Charging a project nearing completion without regard to the appropriateness of the expenses
  – Charging budgeted amounts rather than actual amounts
  – Assigning charges before the cost is incurred
  – Miscoding or misrepresenting a cost
Roles and Responsibilities

- Now where do you fit in the picture?
- What is everyone’s role?
Roles and Responsibilities: Principal Investigator

• The principal investigator is responsible for justifying the appropriateness of direct costs budgeted and charged on sponsored projects in accordance with overall government regulations, sponsoring agency guidelines, conditions made as a part of individual award and OHSU policies and guidelines.
Roles and Responsibilities: Dept Chair/Administrator

• The Department Chair’s/Administrator’s role is to be a resource for principal investigators, advising on proper direct cost charging and budgeting practices within government and other sponsoring agency regulations and OHSU guidelines. Department offices should maintain copies of government, other sponsoring agency and OHSU policies and guidelines pertaining to sponsored projects.
Roles and Responsibilities: Dean/Director

- The Dean’s/Director’s role is to ensure guidance is provided to principal investigators and departments on criteria used to determine allowable direct costs on sponsored projects. Each Dean/Director is responsible for having a mechanism in place to ensure principal investigators and administrators accountability for direct cost budgeting and charging to sponsored projects.
Roles and Responsibilities: Central Offices

- These offices are responsible for providing university-wide guidance on criteria used to determine allowable direct costs on sponsored projects.
OMB Circular A-110

- Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
  - Subpart A - General
  - Subpart B – Preaward Requirements (forms for application, special award conditions, etc.)
  - Subpart C – Postaward Requirements (financial management, cost sharing, allowable costs, period of availability of funds, etc.)
  - Subpart D – After the Award Requirements
• Subpart A - General
  – Definitions
    • Accrued Expenditures
    • Award
    • Cost Sharing
    • Unobligated Balance
  – Effect on other issuances
    • Any regulation, program manual, or handbook which is inconsistent with the requirements of this Circular shall be superseded
  – Deviations
    • OMB has the authority to grant exceptions to the requirements of this Circular
  – Subawards
    • Provisions of this Circular shall be applied to subrecipients performing work under the award(s)
OMB Circular A-110

- **Subpart B – Preaward Requirements**
  - Preaward policies
    - Notification to the Federal agencies regarding type of award instrument to be used when issuing awards (grant, cooperative agreement, or contract)
  - Forms and instructions for applying for Federal assistance
    - Standard Form (SF)424 - Application for Federal Assistance
    - “Controlling Paperwork Burden on the Public”
  - Compliance requirements
    - Debarment and suspension
  - Special award conditions
    - Federal agencies may impose additional requirements if applicant or recipient has
      - History of poor performance
      - Not financially stable
      - Not conformed to terms and conditions of a previous award
OMB Circular A-110

- Subpart C – Post Award Requirements
  - Prescribes standards for financial management systems
  - Establishes prior approval requirements
    - Changes in scope
    - Changes in key personnel
    - Absence of PI for > 3 months or 25% reduction in time
    - The need for additional Federal funding
    - Transfer of budgeted amounts between categories
    - Transfer of funds allocated for trainee to other cost categories
    - Subaward, transfer, or contracting out of any work under an award
OMB Circular A-110

• Subpart C – Post Award Requirements Continued…
  – Authorizes Federal agencies to allow
    • 90 day preaward costs
    • One time, no cost extension
    • Carryforward of unobligated balances from the prior year of funding
  – Discusses A-133 audit requirements
  – Discusses allowable costs (OMB Circular A-21)
  – States that a period of availability of funds shall be defined
OMB Circular A-110

• Subpart C – Post Award Requirements Continued…
  – Property Standards
    • Insurance requirements
    • Equipment title
  – Procurement Standards
    • Recipient shall establish written procurement procedures
    • Small business, minority owned firms, women’s business enterprises are used to the full extent possible
    • Contract shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement
  – Reports and Records
    • Procedures for monitoring and reporting on the recipient’s financial and program performance; Record retention and access requirements
OMB Circular A-110

• Subpart C – Post Award Requirements Continued…
  – Termination and Enforcement
    • Circumstances for early termination
    • Enforcement – The awarding agency may
      – Withhold payments
      – Disallow costs
      – Withhold further awards
OMB Circular A-110

- Subpart D – After the Award Requirements
  - Closeout procedures
    - 90 calendar days after completion
      - Financial reports are due
      - Performance reports are due
      - Other reports as required by Federal agencies may be due
    - Requires Federal agencies to make prompt payments
    - Requires recipients to make prompt refunds of unobligated balances, if applicable
  - Closeout of the award does NOT affect
    - Federal agencies ability to disallow costs and recover funds for those disallowed costs
    - The obligation of the recipient to return funds as the result of refunds or corrections
    - Audit requirements
    - Record retention
OMB Circular A-133

- Provides standards for consistency and uniformity in the auditing of states, local governments and non-profit organizations expending Federal funds
- Key Points from the circular
  - Who is required to have an audit conducted?
  - Who is exempt from having an audit conducted?
  - What is the frequency?
  - Must comply with GAGAS (Generally Accepted Government Auditing Standards)
  - Must comply with GAAP (Generally Accepted Accounting Principles)
  - Must comply with regulations stated in OMB Circulars (e.g. A21, A110, A133)
Key Points Continued…

- The auditee shall provide reasonable assurance that they are managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements
- In selecting an auditor, the auditee shall follow the procurement standards (described in OMB A-110)
- The auditee shall prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited
- The auditee is responsible for follow-up and corrective action on all audit findings
- The auditee shall keep a summary schedule of prior audit findings
OMB Circular A-133

• Key Points Continued…
  – All auditees shall submit report to the Federal clearinghouse designated by OMB
  – Auditees shall keep one copy on file for three years from the date of submission
  – Submission is required by subrecipients
  – Pass-through entities shall keep subrecipients' submissions on file for three years from date of receipt
Websites

• Office of Management and Budget
  – http://www.whitehouse.gov/omb/

• OMB Circular A-21
  – http://www.whitehouse.gov/omb/circulars/a021/a021.html

• OMB Circular A-110
  – http://www.whitehouse.gov/omb/circulars/a110/a110.html

• OMB Circular A-133
  – http://www.whitehouse.gov/omb/circulars/a133/a133.html
Closing: Questions?

Tim Patterson
Manager, Higher Education/Healthcare
(312) 880-3065
tpatterson@huronconsultinggroup.com