Georgetown University
Research Administrator Training:

OMB Uniform Guidance Overview and Financial Compliance Guidelines

Spring 2015
## Agenda

<table>
<thead>
<tr>
<th>Item</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>OMB Uniform Guidance (2 CFR 200)</td>
</tr>
<tr>
<td>2.0</td>
<td>Overview of Cost Accounting Principles</td>
</tr>
<tr>
<td>3.0</td>
<td>Allocability Illustrated</td>
</tr>
<tr>
<td>4.0</td>
<td>Financial Compliance Hot Topics:</td>
</tr>
<tr>
<td>4.1</td>
<td>Record Retention</td>
</tr>
<tr>
<td>4.2</td>
<td>Effort Reporting</td>
</tr>
<tr>
<td>4.3</td>
<td>Cost Transfers</td>
</tr>
<tr>
<td>4.4</td>
<td>Federally Funded Equipment</td>
</tr>
<tr>
<td>5.0</td>
<td>Discussion Segment</td>
</tr>
<tr>
<td>6.0</td>
<td>Appendix A: Hyperlinks to Relevant Policies</td>
</tr>
<tr>
<td>7.0</td>
<td>Appendix B: Administrative Contacts</td>
</tr>
<tr>
<td>8.0</td>
<td>Appendix C: Additional Information about Cost Transfers</td>
</tr>
</tbody>
</table>
Section 1.0

OMB UNIFORM GUIDANCE (2 CFR 200)
OMB Uniform Guidance (2 CFR 200)

Overview

• On December 26, 2013 the Office of Management and Budget (OMB) released its final rule of “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” (2 CFR Chapters I, II, Part 200, et al) with most requirements being effective on December 26, 2014.

• Consolidated 8 OMB Circulars into 1 Uniform Guidance document; replaces 3 Circulars related to Higher Education:
  – OMB Circular A-21 – Costing Standards
  – OMB Circular A-110—Administrative Requirements
  – OMB Circular A-133—Audit Requirements

• Added some flexibility for direct-charging awards (e.g. computing devices allowable if “essential and allocable”) and

• Increased requirements for stronger internal controls (e.g. more scrutiny of subrecipients and improved monitoring of award spending).
## Impact of OMB Uniform Guidance (2 CFR 200)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Change</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and Clerical Support</td>
<td>Normally an F&amp;A cost, allowable as a direct cost if 1. integral, 2. administrative/clerical effort identifiable to the project, 3. included in proposal budget justification, and 4. excluded from F&amp;A rate calculation.</td>
<td>No longer need to make major project exception.</td>
</tr>
<tr>
<td>Computing Devices</td>
<td>Allowable as a direct cost if “essential and allocable”</td>
<td>Allocable computing devices may be permissible as direct costs.</td>
</tr>
<tr>
<td>Effort Reporting</td>
<td>Removed prescriptive certification methods and defined appropriate circumstances for extra compensations.</td>
<td>Stricter controls surrounding payroll allocations, extra compensation and timely reallocations.</td>
</tr>
<tr>
<td>F&amp;A Rate for Subrecipients without negotiated rate</td>
<td>Authorization of 10% de minimis F&amp;A rate to subrecipients without a negotiated an F&amp;A rate.</td>
<td>Expedites subaward process to non-University entities.</td>
</tr>
<tr>
<td>Subrecipient Monitoring</td>
<td>Increased University responsibility to vet potential subrecipients for eligibility, monitor ongoing programmatic and financial performance, and closeout compliance.</td>
<td>Increased oversight required from central offices and the principal investigators.</td>
</tr>
</tbody>
</table>
Direct-Charging Administration & Clerical

2 CFR 200.413

• (c) The salaries of administrative and clerical staff should **normally be treated as indirect (F&A) costs**.
• Direct charging of these costs may be appropriate only if **all** of the following conditions are met:
  – (1) Administrative or clerical services are integral to a project or activity;
  – (2) Individuals involved can be specifically identified with the project or activity;
  – (3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
  – (4) The costs are not also recovered as indirect costs.
Computing Devices—Key Definitions

2 CFR 200.94; 200.58; 200.20

• **Computing devices** means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information.

• **Information technology systems** means computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. See also §§200.20 Computing devices and 200.33 Equipment.

• **Supplies** means all tangible personal property other than those described in §200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $5,000, regardless of the length of its useful life. See also §§200.20 Computing devices and 200.33 Equipment.
# Impact of OMB Uniform Guidance (2 CFR 200)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Change</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and Clerical Support</td>
<td>Normally an F&amp;A cost, allowable as a direct cost if 1. integral, 2. administrative/clerical effort identifiable to the project, 3. included in proposal budget justification, and 4. excluded from F&amp;A rate calculation.</td>
<td>No longer need to make major project exception.</td>
</tr>
<tr>
<td>Computing Devices</td>
<td>Allowable as a direct cost if “essential and allocable”</td>
<td>Allocable computing devices may be permissible as direct costs.</td>
</tr>
<tr>
<td>Effort Reporting</td>
<td>Removed prescriptive certification methods and defined appropriate circumstances for extra compensations.</td>
<td>Stricter controls surrounding payroll allocations, extra compensation and timely reallocations.</td>
</tr>
<tr>
<td>F&amp;A Rate for Subrecipients without negotiated rate</td>
<td>Authorization of 10% de minimis F&amp;A rate to subrecipients without a negotiated an F&amp;A rate.</td>
<td>Expedites subaward process to non-University entities.</td>
</tr>
<tr>
<td>Subrecipient Monitoring</td>
<td>Increased University responsibility to vet potential subrecipients for eligibility, monitor ongoing programmatic and financial performance, and closeout compliance.</td>
<td>Increased oversight required from central offices and the principal investigators.</td>
</tr>
<tr>
<td>Subrecipient</td>
<td>Vendor / Contractor</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>• <strong>Subrecipients.</strong> A subaward is for the purpose of <strong>carrying out a portion of a Federal award</strong> and creates a Federal assistance relationship with the subrecipient.</td>
<td>• <strong>Vendors / Contractors.</strong> A contract is for the purpose of <strong>obtaining goods and services</strong> for the non-Federal entity's own use and creates a procurement relationship with the contractor.</td>
<td></td>
</tr>
<tr>
<td>• Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Determines who is <strong>eligible</strong> to receive what Federal assistance;</td>
<td>1) Provides the goods and services within <strong>normal business operations</strong>;</td>
<td></td>
</tr>
<tr>
<td>2) Has its <strong>performance measured</strong> in relation to whether objectives of a Federal program were met;</td>
<td>2) Provides similar goods or services to <strong>many different purchasers</strong>;</td>
<td></td>
</tr>
<tr>
<td>3) Has responsibility for <strong>programmatic decision making</strong>;</td>
<td>3) Normally operates in a <strong>competitive</strong> environment;</td>
<td></td>
</tr>
<tr>
<td>4) Is responsible for adherence to applicable Federal <strong>program requirements</strong> specified in the Federal award; and</td>
<td>4) Provides goods or services that are <strong>ancillary to the operation</strong> of the Federal program; and</td>
<td></td>
</tr>
<tr>
<td>5) In accordance with its agreement, uses the Federal funds to <strong>carry out a program</strong> for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.</td>
<td>5) Is <strong>not subject to compliance requirements</strong> of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.</td>
<td></td>
</tr>
</tbody>
</table>
Subrecipient Monitoring Changes

Risk Assessment and Ongoing Monitoring

• OMB Uniform Guidance (2 CFR 200) outlines standards for Subrecipient Monitoring activities.

• The University in its Subrecipient Monitoring Policy (Financial Affairs Policy #143) establishes criteria for the following:
  – 1. Making subrecipient eligibility determinations,
  – 2. Properly assessing and managing risk when passing through federal funds to subrecipient organizations, and
  – 3. Ongoing subrecipient monitoring activities.

• A comprehensive risk assessment has been developed to be used at the award stage to evaluate the risk associated with potential subrecipients.

• The Principal Investigator, with assistance from their department administrator(s), are responsible for monitoring ongoing activity by the subrecipient organization for satisfactory progress and review invoices for allowability and agreement with worked performed to date.
Subrecipient Monitoring Changes

Roles and Responsibilities

1. Proposal Stage - Eligibility Determination
   - Research Development Services
   - Office of Sponsored Research
   - Principal Investigator
   - Department Administrator

2. At Award - Risk Assessment
   - Office of Sponsored Research
   - Sponsored Programs Financial Operations

3. During the Award - Ongoing Monitoring
   - Sponsored Programs Financial Operations
   - Principal Investigator
   - Department Administrator

4. At Closeout - Final Deliverables
   - Sponsored Programs Financial Operations
   - Principal Investigator
   - Department Administrator
## Subrecipient Risk Remedies

<table>
<thead>
<tr>
<th>Risk Determination</th>
<th>Actions / Remedies</th>
</tr>
</thead>
</table>
| **Low Risk**       | • Issue subaward with standard terms and conditions;  
|                    | • PI will review and approve invoices;  
|                    | • SAO will perform annual review of A-133 audit or audited financial statements. |
| **Moderate Risk**  | • In addition to the *Low Risk* items, the University will perform the following:  
|                    | • May require subrecipient to provide detailed information to support select items of cost on invoices;  
|                    | • SAO may check in with the PI regarding the quality of the work being performed to date;  
|                    | • SAO may perform a desk review of the subaward, consisting of reviewing select transactions and discussing the award management with the subrecipient organization. |
| **High Risk**      | • In addition to the *Low Risk* items and *Moderate Risk* items, the University may perform the following (per 2 CRF 200.207 *Specific conditions*):  
|                    | • (1) Require payments as reimbursements rather than advance payments;  
|                    | • (2) Withhold authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;  
|                    | • (3) Require additional, more detailed financial reports;  
|                    | • (4) Require additional project monitoring;  
|                    | • (5) Require the subrecipient organization to obtain technical or management assistance; or  
|                    | • (6) Establish additional prior approvals. |
## Impact of OMB Uniform Guidance (2 CFR 200)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Change</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests for Applications</td>
<td>Federal agencies must advertise funding opportunities for at least 90 days.</td>
<td>More time for our faculty to apply for award opportunities.</td>
</tr>
<tr>
<td>Cost Sharing</td>
<td>Voluntary Committed Cost Sharing is no longer accepted for research awards, with some exceptions for construction grants, scientific equipment or other major programs.</td>
<td>The University will need to monitor proposals for compliance.</td>
</tr>
<tr>
<td>Internal Controls</td>
<td>Establish and maintain effective internal controls in compliance with Internal Control Integrated Framework issued by COSO.</td>
<td>Increased audit scrutiny.</td>
</tr>
<tr>
<td>Direct Charging Un-used Supplies (less than $5K)</td>
<td>Residual supply inventory when less than $5,000 can be used for future projects.</td>
<td>Flexibility for excess supplies at the end of the project.</td>
</tr>
<tr>
<td>Closeouts</td>
<td>Strict enforcement of closeout compliance for final technical, financial and other reports.</td>
<td>Awards and billing at risk if not compliant.</td>
</tr>
<tr>
<td>Procurement</td>
<td>New procurement dollar thresholds and requirements for bidding contracts.</td>
<td>University has until 6/30/2016 to implement.</td>
</tr>
</tbody>
</table>
Types of Cost Sharing

Financial Affairs Policy #132 (14) Cost Sharing on Sponsored Projects

- **Cost Sharing or matching** means the portion of total project costs not paid by federal funds (unless otherwise authorized by federal statute). There are three classifications for Cost Sharing:
  
  1. **Mandatory Committed Cost Sharing** is a cost sharing obligation required by the sponsoring agency as a term or condition of the award.
  
  2. **Voluntary Committed Cost Sharing** is a cost sharing obligation voluntarily proposed by the University to the sponsoring agency and becomes an obligation for the University and condition of the award. The University discourages voluntarily committing cost sharing in a project proposal.
     
     - Voluntary committed cost sharing should not be included unless explicitly described in the notice of funding opportunity.
  
  3. **Voluntary Uncommitted Cost Sharing** refers to effort devoted by faculty and senior researchers, which is over and above that which is committed and budgeted for in a sponsored agreement. This is faculty-donated additional time above the effort commitment for that award and does not need to be tracked as cost sharing in the financial system or documented in the effort reporting records.
## Impact of OMB Uniform Guidance (2 CFR 200)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Change</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests for Applications</td>
<td>Federal agencies must advertise funding opportunities for at least 90 days.</td>
<td>More time for our faculty to apply for award opportunities.</td>
</tr>
<tr>
<td>Cost Sharing</td>
<td>Voluntary Committed Cost Sharing is no longer accepted for research awards, with some exceptions for construction grants, scientific equipment or other major programs.</td>
<td>The University will need to monitor proposals for compliance.</td>
</tr>
<tr>
<td>Internal Controls</td>
<td>Establish and maintain effective internal controls in compliance with Internal Control Integrated Framework issued by COSO.</td>
<td>Increased audit scrutiny.</td>
</tr>
<tr>
<td>Direct Charging Un-used Supplies (less than $5K)</td>
<td>Residual supply inventory when less than $5,000 can be used for future projects.</td>
<td>Flexibility for excess supplies at the end of the project.</td>
</tr>
<tr>
<td>Closeouts</td>
<td>Strict enforcement of closeout compliance for final technical, financial and other reports.</td>
<td>Awards and billing at risk if not compliant.</td>
</tr>
<tr>
<td>Procurement</td>
<td>New procurement dollar thresholds and requirements for bidding contracts.</td>
<td>University has until 6/30/2016 to implement.</td>
</tr>
</tbody>
</table>
“Procurement Claw”

Procurement “Claw” (Section 200.320)

1. Micro Purchases
   - $3K
   - No quotations
   - Equitable distributions

2. Small Purchases
   - Up to $150K
   - Rate quotations
   - No cost or price analysis

3. Sealed Bids
   - > $150K
   - Construction projects
   - Price is a major factor

4. Competitive Proposals
   - > $150K
   - Fixed price or cost reimbursement
   - RFP with evaluation methods

5. Sole Source
   - Unique
   - Public emergency
   - Authorized by agency (or PTE)
   - No competition
OVERVIEW OF COST ACCOUNTING PRINCIPLES
Overview of Cost Accounting Principles

Definitions of Direct and Indirect (F&A) Costs

**Direct Costs**
- Costs that **can be identified** specifically with a sponsored program and can be **directly assigned** with a high degree of accuracy.
  - Examples of Direct Costs: compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense such as subrecipients, independent contracts, equipment service contracts and travel costs.

**Indirect or F&A Costs**
- Costs that have been incurred for **common or joint objectives** and **cannot be readily identified** with a particular sponsored program or activity.
  - Examples of Indirect Costs: building and equipment depreciation, interest, utilities, library costs, operations and maintenance, general administration, sponsored program administration and department administration.
Overview of Cost Accounting Principles

Cost Accounting Standards (CAS)

- Consistently Treated
- Reasonable
- Allowable
- Allocable
Overview of Cost Accounting Principles

Cost Accounting Standards (CAS)

• **Reasonable**—a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

  **Example 1:** traveling by airplane to a conference that is hosted in close proximity to an airport, which is also easily accessible by taxi (5 minutes) or public transportation (15 minutes); traveler opts not to rent a car, to avoid parking fees, gas, and tolls and chooses a reasonable alternative (e.g. taxi or public transportation).

  **Example 2:** scenario above with more details; while at this conference, the principal investigator is meeting project collaborators working outside the conference city and needs transportation to meet them; without a rental car, travel to the collaborators will take longer and could be more costly.
Overview of Cost Accounting Principles

Cost Accounting Standards (CAS)

• **Allocable**—a cost is allocable to a sponsored project if the goods or services involved are chargeable or assignable to that project in accordance with relative benefits received. With 3 conditions:
  – (1) Is incurred specifically for the sponsored project;
  – (2) Benefits both the sponsored project and other work of the University and can be distributed in proportions that may be approximated using reasonable methods; and
  – (3) Is necessary to the overall operation of the University and is assignable in part to the sponsored project in accordance with CAS.
Overview of Cost Accounting Principles

Cost Accounting Standards (CAS)

• **Allowable**—a cost is allowable if:
  - It is necessary and reasonable for the performance of the sponsored project;
  - It conforms to any limitations as to types or amount of cost items;
  - It is consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the University;
  - It is accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost;
  - It follows Generally Accepted Accounting Principles (GAAP);
  - It is not included or used to meet cost sharing or matching requirements of any other federally-financed program;
  - It is adequately documented.

Example 1: Dr. Jones’ federal award explicitly prohibits foreign travel yet Dr. Jones has a compelling reason to travel. How should he proceed?
Hierarchy of Determining Allowability

Interpreting Allowability

OMB Uniform Guidance (2 CFR 200) or Applicable FAR

Agency Grant Policy Guidelines

Terms and Conditions of Award

Georgetown University Policy and Procedures
Overview of Cost Accounting Principles

Cost Accounting Standards (CAS)

- **Consistent Treatment**—each item of cost incurred for the same purpose must be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards.

**Example 1:** Charging a utility invoice directly to a federally-funded sponsored project that is conducted on-campus. This would be unallowable as utility costs are consistently treated as an indirect cost, recovered in the F&A rate; direct-charging utility costs to awards being carried out on-campus would be considered double-charging.

**Example 2:** Cell phones and monthly service fees are typically unallowable direct costs and consistently treated as F&A costs; however, Dr. Lee’s study is observing the use of cell phones by college students in the classroom to determine whether they enhance or inhibit learning. She needs to purchase 20 cell phones and basic service plans. This is an unlike circumstance that would not be in violation of the Consistent Treatment rule.
Section 3.0:

**ALLOCATION APPROACHES ILLUSTRATED**
Allocability Defined

Allocability

• **Allocable**—a cost is allocable to a sponsored project if the goods or services involved are chargeable or assignable to that project in accordance with relative benefits received. With 3 conditions:
  – (1) Is incurred specifically for the sponsored project;
  – (2) Benefits both the sponsored project and other work of the University and can be distributed in proportions that may be approximated using reasonable methods; and
  – (3) Is necessary to the overall operation of the University and is assignable in part to the sponsored project in accordance with CAS.
Allocability Methods from OMB Uniform Guidance

Allocability

OMB Uniform Guidance provide two methods for allocating costs that benefit two or more projects:

1. **The Proportional Benefit Rule:** This rule applies when it is possible to determine the proportional benefits of the cost to each project. The cost must be allocated according to the proportion of benefits provided to each of the projects.

2. **The Interrelationship Rule:** This rule applies when it is not possible to determine the proportional benefits to each project because of the interrelationship of the work involved. When this rule applies, the cost can be distributed based on any reasonable basis, but the basis for the allocation must be documented.
Examples of Allocation Methodologies

Allocability

- Actual or approximate usage of supplies on each project
- Number of experiments performed on each project
- PI’s percentage of effort charged to each project
- Number of individuals working on each project
- Number of hours of computer or equipment time logged for each project
- Square footage devoted to project(s)

Please note: the allocation method chosen must be reasonable for the type of cost being incurred.
## Allocating Costs by Type

### Required Cost Allocation Methodologies

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget Description</th>
<th>Required Allocation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Faculty and Exempt Staff</td>
<td>Proportion of Actual Effort in relation to all institutional duties</td>
</tr>
<tr>
<td>2</td>
<td>Hourly staff and students</td>
<td>Actual hours devoted to each activity</td>
</tr>
<tr>
<td>3</td>
<td>Independent Contractors</td>
<td>Actual billable hours or milestones achieved related solely to this project</td>
</tr>
<tr>
<td>4</td>
<td>Subrecipients</td>
<td>Costing method of prime award to the University (e.g. cost reimbursable, fixed milestone payments or fixed price) flows to the subrecipient</td>
</tr>
<tr>
<td>5</td>
<td>Animal Charges</td>
<td>Per diem husbandry and services for protocols related to this project may only be charged on a project-by-project basis.</td>
</tr>
<tr>
<td>6</td>
<td>Human Subjects</td>
<td>Research participant remuneration, participant costs, and associated supplies are identified by IRB protocol associated with each project.</td>
</tr>
</tbody>
</table>
Allocating Costs by Type
Preferred Cost Allocation Methodologies

- **Lab Supplies**—are items of cost that may benefit multiple activities, including sponsored projects, unfunded research, and instruction performed in the laboratory.
- These costs must be allocated on a reasonable basis in proportions that reasonably agree with how each activity benefits from these items of cost.
- Below are preferred cost allocation approaches for this type of cost:
  1. Actual or approximate usage of supplies by each project or activity
  2. Number of experiments performed by each project or activity
  3. Principal Investigator’s percentage of effort by each project or activity
  4. Number of individuals working on each project or activity
Allocating Costs by Type

Preferred Cost Allocation Methodologies

- **Non-Capitalized Equipment** (i.e. less than $5,000)—are also items of cost that may benefit multiple activities, including sponsored projects, unfunded research, and instruction performed in the laboratory.

- These costs must also be allocated on a reasonable basis in proportions that reasonably agree with how each activity benefits from these items of cost.

- Below are preferred cost allocation approaches for this type of cost:
  1. Number of experiments performed by each project or activity that utilize the non-capitalized equipment
  2. Principal Investigator’s percentage of effort by each project or activity
  3. Number of individuals working on each project or activity and their use of the non-capitalized equipment
Allocating Costs by Type

Preferred Cost Allocation Methodologies

- **Equipment Maintenance/Service Contracts**—are also items of cost that may benefit multiple activities, including sponsored projects, unfunded research, and instruction performed in the laboratory.
- These costs must also be allocated on a reasonable basis in proportions that reasonably agree with how each activity benefits from these items of cost.
- Costs can only be shared by projects or activities for which the underlying equipment related to the maintenance or service contracts is used.
- Below are preferred cost allocation approaches for this type of cost:
  1. Allocation based on number of hours of computer/equipment time logged for each project or activity
  2. Experiment throughput times for project or activity related experiments on each machine;
  3. Number of experiments performed by each project or activity that utilize the underlying equipment;
Allocating Costs by Type

Preferred Cost Allocation Methodologies

- **Off-Campus Leases**—are also items of cost that may benefit multiple activities, including sponsored projects, unfunded research, and instruction performed in the laboratory.
- These costs must also be allocated on a reasonable basis in proportions that reasonably agree with how each activity benefits from these items of cost.
- Costs can only be shared by projects or activities for which operate in the space being leased.
- Below are preferred cost allocation approaches for this type of cost:
  1. Allocation based upon square footage devoted to project(s) or activities occupying the leased space;
  2. Allocation of effort for all employees using the leased space;
  3. Count of FTEs using the leased space
Allocating Costs by Type

Preferred Cost Allocation Methodologies

- **Travel Costs**—may sometimes benefit multiple activities, including sponsored projects, unfunded research, and instruction performed in the laboratory.
- These costs typically are only allocable to a sponsored research project where the results of the project are being presented at a conference, the travel is related to participant recruitment or to transport research participants, or costs related to meetings or conferences held off-site.
- The purpose of the travel must be documented and then must agree with one of the preferred allocation approaches:
  1. Effort distribution of the faculty, staff, or student traveling if all activities in their payroll distributions benefit from the travel;
  2. Proportional benefit of the travel to each project or activity to which the traveler devotes effort;
  3. Participant travel should be clearly identified and allocable to one sponsored project or activity and generally not allocated to multiple sources.
Sample Allocation Methods with Examples

Cost Allocation

1. Allocation based on actual or approximate usage of supplies on each project
   – Example 1: supplies used by research study participants could be allocated by the number of participants each project enrolls in that study

2. Allocation based on the number of experiments performed on each project:
   – Example 2: experiments in a basic science setting may use a precise amount of reagents for each experiment and comparing the number of experiments in each study to one another will produce an actual or approximate usage allocation method.

3. Allocation based upon PI’s percentage of effort charged to each project:
   – Example 3: instances where multiple projects have similar complexities and work efforts, using the PI’s percentage of effort charged to each project may be a reasonable allocation method.
Sample Allocation Methods with Examples (continued)

Cost Allocation

4. Allocation based upon the number of individuals working on each project
   – Example 4: projects where supply consumption is difficult to approximate because of high volume usage may rely on an allocation method that allocates costs based on the number of individuals working on each project.

5. Allocation based on number of hours of computer/equipment time logged for each project
   – Example 5: research studies involving large amounts of data analysis may use an hours-usage basis to allocate costs such as server maintenance contracts, software licenses, or other costs related to the allocation method selected.

6. Allocation based upon square footage devoted to project(s)
   – Example 6: assignable square footage of the project space may be an indicator of greater levels of complexity and consumption of supplies; this may be a reasonable allocation method for those instances.
Section 4.0

FINANCIAL COMPLIANCE HOT TOPICS
Elements of Proper Record Retention

Record Retention

- All Records are the property of the University
- Local Document Retention Steward Role
- Annual inventory of University records
- Kept according to retention schedule in policy
- Accessible in a retrievable format—preferably electronic format
- Litigation and legal holds
- Properly identify non-records
- Proper Destruction of Records
- Archiving records when administratively required or of historical value
**Requirements and Types of Documents to Retain**

**Record Retention**

- For federal awards, at least 3 years after the final submission of the final financial report or longer if sponsor requires.

<table>
<thead>
<tr>
<th>Budget Categories</th>
<th>Documentation Standards Supporting Benefit to the Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies</td>
<td>Order requisition, authorization, budget narrative, additional justification, order fulfillment and receipt.</td>
</tr>
<tr>
<td>Participant Costs</td>
<td>Copy of informed consent, proof of milestone for participant remuneration, actual receipts, or documented participant travel costs.</td>
</tr>
<tr>
<td>Travel Costs</td>
<td>Conference registration, program, copy of attendee badge, actual travel cost receipts, itinerary, and documentation supporting benefit to the project.</td>
</tr>
<tr>
<td>Inter-Departmental Charges</td>
<td>Requisition, quotes, invoice, and order fulfillment documents.</td>
</tr>
<tr>
<td>Computing Devices</td>
<td>Budget narrative, internal justifications, and acknowledgement of order and receipt.</td>
</tr>
<tr>
<td>Other budget categories</td>
<td>Documentation is generally maintained in GMS; however, additional supporting documentation outside the system should be maintained in the award file.</td>
</tr>
</tbody>
</table>
Fundamental Requirements

Effort Reporting

• Planned Confirmation Method
  – The University follows the Plan-Confirmation Method for certifying effort as described in Section J-10-c of OMB Circular A-21, where by the distribution of salaries and wages of professorial and professional staff applicable to sponsored agreements is based on budgeted, planned, or assigned work activity, updated to reflect any significant changes in work distribution.

  Effort certification must be based on an analysis of actual effort and not available funding.

• Certification frequencies
  – Quarterly for Faculty and Exempt employees
  – Monthly for Non-Exempt, hourly paid employees
Effort Reporting Roles and Responsibilities

Effort Reporting

• **Principal Investigator** is responsible for
  – Proposing effort commitments, managing concurrent projects, devoting actual effort, and informing central offices of issues impacting their ability to devote effort within a reasonable variance of the effort commitment.
  – Communicating new payroll allocations and changes in anticipated effort for themselves and sponsored project staff to their local Department Administrator to promptly update payroll allocations.
  – Reviewing and certifying his/her own effort certification forms and reviewing and certifying his/her sponsored project staff.
  – Ensuring that his/her effort commitment has been met.

• **Department Administrator** is responsible for providing assistance to the PI on these topics.
Special Topics in Effort Reporting

Effort Reporting

- Commitment
- Cost Sharing
- Effort Reporting Components
- Minimum and Maximum %s
- Reduction of Effort Commitment
- Updating Payroll Distribution
- Summer Salary
Proper Certifiers Defined

Effort Reporting

• **Proper certifiers** must either have first-hand knowledge **or** a suitable means of verification regarding the work performed of an individual.

  Faculty members who are **principal investigators**, co-principal investigators, or key personnel named on the notice of award, would be appropriate certifiers who should be certifying their own effort;

  Faculty members who are **not principal investigators**, co-principal investigators, or key personnel named on the notice of award, are encouraged to certify their own effort in consultation with the PIs or supervisors (i.e. department chair, center director, or dean).

  **Project staff and students** should have their effort certified by the PIs or their supervisors (e.g. lab manager, project manager, or program manager).

  **Department administrators** are generally **not** proper certifiers unless they have a suitable means of verifying the effort for which they would be certifying.

• **Suitable means of verification** should be a documented discussion or meeting, email, memorandum, or clear instructions from an individual(s) who has direct knowledge of the actual effort and is delegating their certification responsible to the department administrator.
Cost Transfers Defined

Cost Transfers

Cost Transfer is an after-the-fact reassignment of an expense to a sponsored project after the expense was initially charged to another sponsored project or non-sponsored funding source. Cost transfers include reassignments of salary, wages and other direct costs.

The cost must be allowable on the receiving project (i.e. reasonable, allocable, allowable and consistently treated);

The cost directly benefits the receiving project;

There are no restrictions which preclude the transfer;

The transfer complies with all federal regulations, sponsor requirements, and University policies.
Proper Documentation for Cost Transfers

Cost Transfers

Authorization in writing that is signed and dated (email is acceptable) from the PI or a person with first-hand knowledge of the charge;

A detailed statement explaining how the error occurred and how similar errors will be avoided in the future;

A detailed description of how the cost benefits the sponsored project to which the cost is being transferred;

Documentation that provides evidence of the existence of the original charge on the sponsored project from which the cost is being moved; and

Greater than 90 days requires a detailed justification addressing the delay and is approved only under extenuating circumstance. The University cannot approve late cost transfers where there are unacceptable reasons such as administrative oversight.
Federally-Funded Capital Equipment Defined

Federally Funded Capital Equipment

Equipment is considered a capital asset if the equipment has a useful life of one year or more and has an acquisition cost of $5,000.00 or more.

- Title to capital equipment purchased with federally sponsored funds belongs to the University unless the federal agency stipulates otherwise;
- Capital equipment must be used for the authorized purposes of the project during the period of performance, or until the property is no longer needed for the purposes of the project.
- While most equipment is tagged with blue barcode labels, federally-funded capital equipment is tagged with red barcode labels in order to easily identify such equipment.
Requirements for Federally Funded Equipment

Federally Funded Equipment

- **Equipment title**—in some instances, federal agencies retain title to equipment purchased with sponsored funds, and may require that the equipment be returned to them when no longer needed.

- **Selling equipment**—proceeds from the sale of equipment purchased with sponsored funds often revert back to the sponsoring agency.

- **Disposal requirements**—assets purchased with externally sponsored funds are often subject to stricter disposal requirements and should be handled accordingly.

- **Notifications upon disposal**—the University records gains and losses of capital equipment in compliance with federal requirements in OMB Uniform Guidance (2 CFR 200). It is essential to contact the University General Accounting Office (GAO) and Sponsored Projects Financial Operations (SFAO) prior to disposing of this type of equipment.
Disposal Scenarios requiring Financial Affairs’ Coordination

Federally Funded Capital Equipment

- Lost or Stolen
- Vandalized
- Scrapped
- Federally Funded Equipment
- Sold or Transfer
- Returned or Refunded
- Exchanged or Traded In
Section 4.0

DISCUSSION SEGMENT
Discussion Segment
Appendix A:

**HYPERLINKS TO RELEVANT POLICIES**
Sponsored Programs Financial Policies

Hyperlinks to Relevant Policies

• Financial Affairs – Sponsored Program Policies
  – http://financialaffairs.georgetown.edu/policytc.html
Appendix B:

ADMINISTRATIVE CONTACTS
Administrative Contacts

Office Contact Information

- Office of Research Development Services (RDS):
  - [http://rds.georgetown.edu/](http://rds.georgetown.edu/)
- Office of Sponsored Research (OSR):
  - [https://gumc.georgetown.edu/osr](https://gumc.georgetown.edu/osr)
- Sponsored Programs Financial Operations (SPFO):
  - [https://sites.google.com/a/georgetown.edu/sponsored-accounting/](https://sites.google.com/a/georgetown.edu/sponsored-accounting/)
- Financial Affairs – Purchasing:
  - [https://sites.google.com/a/georgetown.edu/purchasing-contracts/](https://sites.google.com/a/georgetown.edu/purchasing-contracts/)
- University Compliance Helpline:
- Office of Compliance and Ethics:
  - [http://compliance.georgetown.edu/](http://compliance.georgetown.edu/)
- Office of General Counsel:
  - [https://counsel.georgetown.edu/](https://counsel.georgetown.edu/)
- Uniform Guidance Working Group:
  - [http://www.georgetown.edu/research/new-omb-uniform-guidance.html](http://www.georgetown.edu/research/new-omb-uniform-guidance.html)
Administrative Contacts

Who to contact with your questions

1. How to find or respond to funding opportunities:
   - RDS
2. Questions about proposal preparation, review and submission:
   - RDS
3. Questions regarding allowability of costs:
   - SPFO
4. Questions about selling or disposing federally financed capital equipment:
   - SPFO
5. To report a potential compliance violation:
   - Office of Compliance and Ethics
6. Questions about legal requirements:
   - Office of General Counsel
7. Questions about payroll allocations:
   - SPFO
Administrative Contacts

Who to contact with your questions

8. Questions about effort reporting:
   – SPFO

9. To fix a problem with a requisition to avoid a cost transfer:
   – Financial Affairs - Purchasing

10. Questions about the new OMB Uniform Guidance:
    – Uniform Guidance Working Group

11. Assistance with developing allocation methods for direct costs:
    – SPFO

12. Question about record retention--method and documents to keep:
    – SPFO
Appendix C:

APPENDIX C: ADDITIONAL INFORMATION ABOUT COST TRANSFERS
Untimely Cost Transfers (i.e. > 90 Days)

Cost Transfers

The University requires all sponsored projects financial reports to be reviewed on a monthly basis, no later than 30 days after the close of the month, in order to identify needed cost transfers in a timely fashion.

• Cost transfers greater than 90 days (i.e. within 90 days from the end of the calendar month in which the transaction appears as a cost in the University's financial system) will only be reviewed if there is a well-documented, extenuating circumstance certified by the PI and their supervisor;

• The University cannot approve late cost transfers where there are unacceptable reasons such as administrative oversight;

• The merits of the late cost transfer will be determined on a limited, case-by-case basis by the Chief Accounting Officer.

• Approval may only be granted in situations with compelling reasons for highly unusual, non-preventable circumstances.
Journal Entries that are not Cost Transfers

Cost Transfers

Journal entries used as a mechanism for initial charging or for financial accounting restatement within a fund are not considered cost transfers; examples include:

• Recurring and routine transfers to allocate expenses or charge-back for services, including service centers, auxiliaries, or other academic and administrative departments.

• Initial allocation of ProCard charges from the default account completed within the approved time frame for ProCard allocations.

• Reallocation of centrally paid charges (i.e., rent and utilities) or Federal Work Study Program as an initial direct charge to a sponsored project.

• Accounting restatement of expenditures between accounts within the same grant where the net effect on the overall award is zero.

• Any journal entries to balance multiple projects established for one award when the net effect on the award is zero.

• Transfer of expenditures from one funding segment to the next segment resulting from an approved carry-forward request.