Georgetown University
Faculty Education Program:
Applying Financial Compliance Principles to Day-to-day Sponsored Program Management

Spring 2015
# Agenda

<table>
<thead>
<tr>
<th>Item</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>Overview of Cost Accounting Principles</td>
</tr>
<tr>
<td>2.0</td>
<td>OMB Uniform Guidance (2 CFR 200)</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>5.0</td>
<td>Appendix A: Hyperlinks to Relevant Policies and Administrative Contacts</td>
</tr>
</tbody>
</table>
Overview of Cost Accounting Principles

Cost Accounting Standards (CAS)

Consistently Treated  Reasonable  Allowable  Allocable

- **Reasonable**—the cost of an item and nature of the goods or services being acquired must both be reasonable.

- **Allocable**—a cost is allocable when the goods or services directly benefit the sponsored project; when an item benefits 1 or more projects, then the cost needs to be allocated accordingly.

- **Allowable**—a cost is allowable if it follows University and sponsoring agency guidelines

- **Consistent Treatment**—a cost can either be a direct or an indirect (F&A) cost, but generally not both.
Direct Costs: Costs that can be identified specifically with a sponsored program and can be directly assigned with a high degree of accuracy.

Indirect or Facilities & Administrative (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.
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>
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 is responsible for monitoring ongoing activity by the subrecipient organization for satisfactory progress and review invoices for allowability and agreement with worked performed to date.
## 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 60 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>
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.
Elements of Proper Record Retention

Record Retention

• The University has a Record Retention and Destruction Policy:
  https://georgetown.app.box.com/s/e51cdn6js6q56qpzz8b3
• Implications for grants are that records need to be kept for 3 years following submission of the final financial report
  – some awards may have longer record retention requirements.
• Examples of records include:
  – Data, informed consent documents, invoices, expense justifications, item price comparisons, availability of American carriers for foreign travel, and documentation of institutional or sponsor prior approvals.
• Consult the policy before destroying any grants documents.
Effort Reporting

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

- **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.

- **Certification frequencies:** Quarterly for Faculty and Exempt; Monthly for Hourly-paid employees

- **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.
  - 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.
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.
Proper Documentation for Cost Transfers

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.

- 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.

Note—The University has an At Risk Policy where OSP can set-up accounts in advance or while negotiations are pending to reduce the incidence of late cost transfers.
Federally-Funded Capital Equipment

Capital 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.
- Disposal of capital equipment must be communicated to the General Accounting Office and/or Sponsored Projects Financial Operations (formerly “SAO”).

Note—Most federally-funded capital equipment are purchased with federal grants making the title to the capital equipment vested with Georgetown University.
Discussion Segment
Appendix A:

**COST ALLOCATION APPROACHES**
## 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>
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.
Appendix B:

LINKS TO RELEVANT POLICIES
AND ADMINISTRATIVE CONTACTS
Sponsored Programs Financial Policies

Hyperlinks to Relevant Policies

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

Office Contact Information

• Office of Sponsored Research (OSR):
  – https://gumc.georgetown.edu/osr

• Sponsored Programs Financial Operations (SPFO):
  – https://sites.google.com/a/georgetown.edu/sponsored-accounting/

• Financial Affairs – Purchasing:
  – https://sites.google.com/a/georgetown.edu/purchasing-contracts/

• University Compliance Helpline:
  • https://secure.ethicspoint.com/domain/media/en/gui/17731/index.html

• Office of Compliance and Ethics:
  • http://compliance.georgetown.edu/

• Office of General Counsel:
  – https://counsel.georgetown.edu/

• Uniform Guidance Working Group:
  – https://sites.google.com/a/georgetown.edu/sponsored-accounting/omb-uniform-guidance
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 or OSR

3. Questions regarding allowability of costs:
   – OSR or 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:
   – OSR, Office of Compliance and Ethics, or 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