Financial Management of Sponsored Projects

Effective Research Management Expo
March 2008

Presented by: Sponsored Projects Accounting
Topics

- Roles and Responsibilities
- Policies
- Direct Costs
- R-A-A-C
- Effort Reporting
- Admin Costs
- Travel
- Consultants
- Equipment
- Subrecipients
- Unallowable Costs
- Cost Sharing
- Cost Transfers
- F&A Costs
Roles & Responsibilities

**Principal Investigator**

- Oversees the administration of project funds.
- Coordinates with WU personnel to determine whether project charges are reasonable, allowable and allocable to the project.
- Complies with the technical, progress and compliance reporting requirements.
Roles & Responsibilities

Department Administrator

• Assist PI and department head in the administration and oversight of sponsored research and related activities.

• Process financial transactions.

• Reviews and analyzes financial reports for sponsored projects.

• Cooperates with University compliance and monitoring efforts related to financial management.
Roles and Responsibilities

Chair / Division Chief

• Responsible for establishing and promoting a culture of compliance within the department/division.

• Provides direction, resources and oversight to help ensure that project funds are managed in accordance with WU and sponsor regulations.
Purchasing - COI

• University employees will conduct University business ethically and objectively, in compliance with all applicable laws, regulations and University policies, including the University’s Code of Conduct.

• The goal of all such business dealings must be to benefit the University.
Policies & Guidelines

• OMB Circulars (A-21, A-110, A-133)
  - Federal Grants Management Circulars

• NIH Grants Policy Statement
  - NIH Grants Policy Statement (12/03) - NIH Grants Policy Statement - Table of Contents

• WU Direct Charging Guidelines
  - http://www.spa.wustl.edu/direct.htm

• Specific Sponsored Project Policies
  - http://www.spa.wustl.edu/policies.htm
Order of Precedence

- OMB Circulars
- Agency Rules
- Program Rules
- Special Conditions
- Award
Financial Resources

Policy & Advice
- Dept. Administrator
- Dean’s Office
- VC Finance / Research
- General Counsel

Financial Systems
- GBUD / PDS
- FIS
- HRMS (Payroll)
- FOCUS
- Faculty Financial Reporting (FFR)
Direct Costs

- **Definition**: Costs that can be specifically identified to a particular project or program.

<table>
<thead>
<tr>
<th>Salaries</th>
<th>Subagreements</th>
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<tbody>
<tr>
<td>Fringes</td>
<td>Patient Care</td>
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<tr>
<td>Travel</td>
<td>Consultants</td>
</tr>
<tr>
<td>Supplies</td>
<td>Animals</td>
</tr>
<tr>
<td>Equipment</td>
<td>Subject Fees</td>
</tr>
</tbody>
</table>
Direct Charging

Common Issues at Research Universities

• Inconsistent charging practices
  - Office supplies are directly charged to one grant but not to another, even though they are being used in “like circumstances”

• Charges deemed not allocable to the award
  - Supplies were charged to an award even though the award did not directly benefit
Direct Charging

Common Issues at Research Universities

- Inadequate documentation
  - No justification for charging the cost of a piece of equipment to multiple awards

- Charges based on fund availability rather than allocability
  - The award with the largest available budget receives charges that would be more appropriate on other awards
Costs are required to be:

- Reasonable
- Allowable
- Allocable
- Consistently Treated

*Per OMB Circular A-21*
Reasonable Costs

• Cost is considered reasonable if the nature of the goods or services involved and the amount reflect the action of a prudent person.

• Pass the Post-Dispatch test.
Allowable Costs

- Cost must be allowable under the terms of the agreement, sponsoring agency’s guidelines (*i.e.*, NIH/NSF Policy Statements) and public laws.
Allocable Costs

- Cost is allocable to a particular project if it is incurred solely for the benefit of the sponsored agreement.

- Allocation of costs to multiple projects should be based on a defined methodology. Allocation method should be documented.
Consistently Treated (aka, CAS)

• Costs must be consistently budgeted/charged in similar circumstances (either direct or F&A).

• Costs must be treated in a consistent manner for all sponsored projects (federal and nonfederal).

• Amounts budgeted in proposal should correspond to actual expenses incurred for the project.
Costing Decision Matrix

- Funded Project?
  - Yes
  - Cost Incurred?
    - Yes
    - Allowable?
      - No
      - Direct Charge to a Sponsored Project
    - No
    - Not an Appropriate Direct Charge on Sponsored Project
  - No
  - Direct Cost to Institutional Funds

- Allocable?
  - Yes
  - Reasonable?
    - No
    - Direct Charge to a Sponsored Project
  - No
  - Not an Appropriate Direct Charge on Sponsored Project

- Consistent with WU Practices?
  - Yes
  - Sponsor Funds Available?
    - Yes
    - Direct Charge to a Sponsored Project
  - No
    - Direct Cost to Institutional Funds

- Sponsor Funds Available?
  - No
    - Direct Cost to Institutional Funds
PARs / Effort Reporting

• Feds require certification that salaries are reasonable in relation to actual work performed.

• *Not based* on a 40 hour work week.

• PARs are distributed semi-annually to faculty.

• Each individual should sign their own PAR.
PARs / Effort Reporting

• PAR contains percentage figures, which correlate to actual salaries during the period.

• Excludes activities that are not compensated by WU.

• PAR must be signed within 30 days.

• The PAR is considered a legal document.
Excluded from IBS (and PARS)

- VA Salary
- Incentive pay (Z)
- Consulting per WU policy (paid/ unpaid)
- Patient Advocacy
- Community Service
- Paid Editor Positions
- Additional pay (on-call)
Administrative Costs

- OMB A-21 prohibits most administrative costs from being directly charged to grants and contracts.
- Salaries of administrative and clerical personnel.
- Non-personnel costs such as office supplies, postage, local telephone and memberships.
Travel - WU Policy
(effective 3/1/08)

• WU reimburses meals based on actual costs. Daily per diem rates are not allowable.

• Include original receipts for items >$30.

• Must utilize U.S. flag air carrier, regardless of cost, convenience or personal preference.

• Travel Report must be approved by next level above traveler.

• Submit within 15 days of completion of trip.
Travel Tips

• Travel is *always* audited
  - Easy topic for auditors to understand
  - Traveler must utilize his/ her discretion

• Travel costs should be *reasonable*.

• Traveler should be paid from project.

• Personal expenses should not be charged to a project.

• Must use US based carrier
Equipment

- **Special Purpose** Equipment - used *only* for research, medical, scientific or other technical activities.
  - Normal charge to a sponsored project.

- **General Purpose** Equipment - use which is not limited only to research, medical scientific or other technical activities.
  - Should *not* be charged to a sponsored project.
Consultant Costs

- An individual retained to provide professional advice or services on a project for a fee.
- Individual is not a WU or a Federal employee.
- Includes paid guest lecturers and speakers.
- Excludes advisory or other services rendered by firms or organizations.
Consultant Costs, cont.

• Fee: Based on a *reasonable* hourly / daily rate (fed max $524/ day).

• Document fee and service via Consultant Service Request/ Invoice form.

• Travel Costs: Paid in accordance with WU Travel Policy. Consultant must complete a Travel Expense Report.
Subrecipient Monitoring

• Technical progress of the subproject is reasonable based upon the data received.

• Amounts invoiced are reasonable based upon the work performed, and submitted on a timely basis.

• Technical data and invoices are submitted on a timely basis.
Unallowable Items

- Alcoholic Beverages
- Charitable Contributions
- Entertainment
- Fines and Penalties
- Food Costs
- Losses on sponsored agreements (deficits)
- Personal use of goods or services
Additional Justification Required

- PDA or Cellphone
- Printers
- Equipment within 90 days of fund end date
- Recruitment Costs
- Laundry / Lab Coats
- Office supply items
- Rental car upgrades
- Generic software
- Office / kitchen equipment
- Books
- Subscriptions

Must meet federal “exceptional circumstance” criteria.
Cost Sharing (C/ S)

- Costs incurred for a specific project which are not supported by the sponsoring agency.

- Cost sharing expenses are separately budgeted and accounted for in FIS (mandatory and voluntary).

Award: 56###

Mandatory C/ S: 56### X

Voluntary C/ S: 56### V
Cost Transfers

• Transactions must be supported by documentation that fully explains how the error occurred.

• Must be signed by the PI or his/her designee. Certifies the correctness of the new charge.

• Cost transfer must be made within 90 days of when the error was discovered.
### What do F&A dollars pay for?

<table>
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<tr>
<th><strong>Facilities</strong></th>
<th><strong>Administrative</strong></th>
</tr>
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<tbody>
<tr>
<td>• Heat, Light &amp; A/C</td>
<td>• Chancellor’s, VP’s and Dean’s Offices</td>
</tr>
<tr>
<td>• Building maintenance</td>
<td>• Human Resources</td>
</tr>
<tr>
<td>• Building depreciation</td>
<td>• Payroll, A/ P &amp; Purch.</td>
</tr>
<tr>
<td>• Interest on building loans/ bonds</td>
<td>• G&amp;C, RO &amp; SPA</td>
</tr>
<tr>
<td>• Equipment depreciation</td>
<td>• Department Admin.</td>
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<tr>
<td>• Library</td>
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</tbody>
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Successful Practices

- Good communication between PI and dept administrator.
- Ensure that dept administrator is knowledgeable of sponsor and WU guidelines.
- Review financial status and detailed transactions on a monthly basis.
- Utilize Purchasing Department
Tales of the Darkside

- Documentation or explanation for cost item is not sufficient.
- Late cost transfers and/or PCT’s.
- Improperly documented travel costs.
- Frequent reimbursements to faculty and staff.
- Financial reports not reviewed in a timely manner.
Absolute “NO’s”

• Charge faculty/staff salary to a grant, even though he/she does not work on project.

• Charge costs to the project with the most available budget.

• Charge travel to grant that did not benefit from the trip.

• Transfer a deficit balance on grant A to grant B.
Report a Concern or Violation

• Institutional Officials for Research and Financial Compliance
  - **Sam Stanley** - Vice Chancellor for Research
    • 314-362-7010
  - **Barb Feiner** - Vice Chancellor for Finance
    • 314-935-9018

• University’s Compliance Hotline
  - (314) 362-4998
  - Reports can be made anonymously
  - No caller ID or number recognition
Contacts

• Joseph M. Gindhart - Director
  - jgindhart@wustl.edu
  - 314-935-7089

• Krystina Gross - Manager
  - kgross@wustl.edu
  - 314-935-5793

• Liz Colletta - Manager
  - ecolletta@wustl.edu
  - 314-935-5757

• www.spa.wustl.edu
Questions / Comments
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