

A Practical Guide to
Sponsored Research
Financial Compliance

ORA CERTIFICATE PROGRAM
OCTOBER 7, 2015

Learning Objectives

Participants will come to understand their role and responsibilities and suggested best practices related to compliance with federal regulations in the areas of:

- Cost Sharing: what is allowed and how is it tracked?
- Subrecipient Monitoring: subrecipient vs contractor (vendor) and providing financial and programmatic oversight
- Effort Reporting: what is it?, why do we do it?, practicalities of effort reporting
- Cost Transfers
- Financial Reporting
- Closeout: consequences, required information, time frame, record retention

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Compliance – A Broad Definition

➤ The state of being in accordance with the relevant Federal, State or regional authorities and their requirements that govern research.

➤ Requirements include

- Regulations (Laws)
- Policies/Procedures (University)
- Business Practices (University)

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Why Compliance?

- Maintains relationship of TRUST with sponsors
- Provides for proper stewardship to safeguard investments in research.
- It's the right thing to do!

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Financial Compliance

IT'S EVERYONE'S RESPONSIBILITY!

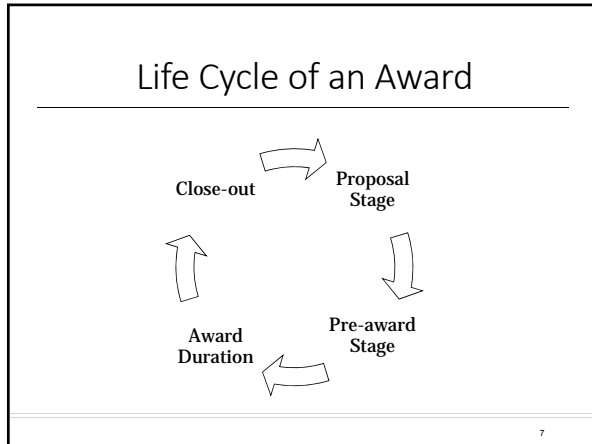


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What's the risk?

- Withholding of future awards
- Audit findings/cost disallowances
- Criminal, civil and administrative penalties
- Loss of administrative flexibility
- Damaged reputation with sponsors, donors, legislators, staff, faculty and students
- Public embarrassment

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Financial Compliance

Be a "good steward"

- Direct Costs
- Cost Sharing
 - How to handle
- Subrecipient Monitoring
 - What is a subrecipient?
 - Responsibilities
 - Likely issues/Ideal situations
- Effort Reporting
 - What is it?
 - Why do we do it?
 - Practicalities of effort reporting
- Cost Transfers
- Financial Reporting
- Closeout
 - Consequences
 - Required information
 - Time Frame
 - Record Retention

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Direct Costs: 4 Attributes

- ALLOWABLE
 - Directly engaged in or necessary for performing the sponsored project's scope of work. (Salary and fringe benefits of personnel, travel, subcontracts)
- ALLOCABLE
 - Can be specifically identified to the program, or can be directly assigned to such activities relatively easily with a high degree of accuracy
- REASONABLE
 - Test of prudent third party
- TIMELY
 - Within period of funds availability

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Cost Sharing ...

... is the specific portion of awards not funded by the sponsor but borne by the University or a third party

...requires:

- documentation
- approval
- allowability

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To be acceptable as cost sharing...

An expenditure must satisfy all of the following criteria:

- Be verifiable from KFS
- Not be used as cost sharing for any other sponsored program
- Be necessary and reasonable for proper and efficient accomplishment of the project
- Allowable under A-21/Uniform Guidance
 - i.e., no phone charges, administrative salaries, general office supplies, or office equipment
- Be incurred during the effective dates of the grant
- Not paid by the federal government under another award

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What can be cost shared?

- Effort
 - Document using the effort report
 - Per CAS 501 effort must be certified
- Cash
 - Document using a JV to move cash from departmental and *DRIF account to cost share account
- Equipment
 - Document purchase from non-federal source if a federal award
- Unrecovered F&A
 - Only with the prior approval of the Federal awarding agency

*Designated Research Initiative Funds

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Cost Share: The Mechanics

- Establish the cost share account at the time of the award notice
 - OCGA establishes based on COEUS/KFS element of Cost Share = Y
- Know what is being cost shared
 - Effort
 - Cash
 - Equipment
- What is the funding source?
- Documentation
 - Cost share imposes a substantial burden on PI to account for and provide supporting documentation

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Cost Share: 3 Things to Remember

- Cost Share only when REQUIRED by the sponsor
 - Must be accounted for even if only mentioned in the proposal text but not included in the budget
 - Per CAS 501 Cost sharing must be funded if specified in the proposal
- It is real and binding
 - Money
 - Resources
 - Because it is real, you must track it – departmental burden
- Must be approved by the department chair/dean at the time of proposal

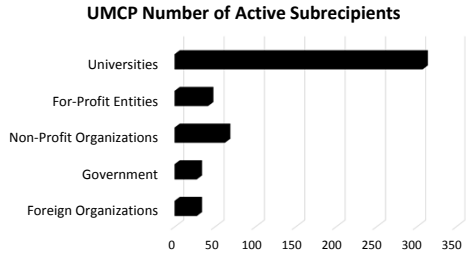
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What is a Subrecipient?

- A third-party carrying out a substantive portion of a UM's proposed technical scope of work:
- Subrecipient provides their own Principal Investigator who is
 - named in the proposal, and
 - directly oversees the Subrecipient's portion of the project.
- Funding authorized under a legally binding agreement:
 - Subcontract issued under Prime Contract terms
 - Subgrant issued under Prime Grant/Cooperative Agreement Terms (For-profit Subrecipient will be under contract cost principles even when prime award is a grant)

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What kinds of entities receive UM Subagreements?



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Why is it important to get this right in at the Proposal stage?

- **Budget:**
 - Procurement: F&A assessed on the full amount of goods and services proposed
 - Subaward: F&A on first \$25K, remainder is exempt (unless Sponsor dictates alternative indirect or Total Direct Cost rate)
 - If determination is changed post award, may require agency approval and significant budget revision

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Why get it right...(cont'd)

- Administrative Requirements and Audit Risk
- **Procurement:**
 - Prior approval generally not required if new vendors added or changed post award
 - Contractor not held to federal Audit Requirements, Prime Award Reporting requirements, or Prime Award terms and conditions
 - **Subaward:**
 - Additions of a new Subrecipient may require sponsor approval post award
 - UM held responsible by Sponsor to ensure commitments of Subawardee are met (including deliverables and cost share)
 - Audit liability for UM if entity not in compliance with federal financial and administrative regulations

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Subaward Proposal Contents

Subawardee and Principal Investigator named in UM's proposal to the sponsor:

- Statement of Work (not just "what" but "how")
- Budget (Cost Reimbursement Format preferred)
- Budget Justification
 - Clerical/administrative costs MUST be justified!
 - Indirect/F&A rate must be documented
- Endorsement by Authorized Official of the Subrecipient organization (use "Subrecipient Commitment Form")

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NCURA YouTube – Fixed Price vs Cost Reimbursement

- <http://www.youtube.com/watch?v=M34KnjKogs&index=2&list=PL7F14D9F05AB7FA68>



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Subrecipient Monitoring: A Federal Requirement

- Roles and Responsibilities: <http://ora.umd.edu/about/roles>
- Principal Investigator:
 - Selects Subrecipient; Determines budget limitations; Negotiates Statement of Work; Ensures technical performance is timely and in accordance with Prime Award expectations
- Department Administrator
 - Requests Subaward proposal package; Prepares Subaward Request Forms and Modifications; Assists with the review of invoices; Prepares for Financial Closeout
- ORA Subaward Unit
 - Assesses risk [Subrecipient Monitoring and Oversight Committee Review (SMOCR)]; Negotiates and issues Subaward terms; Modifies Subaward throughout term of the award; Contacts Subaward Research Office re: performance issues (if UM-PI unable to resolve directly); Obtains Closeout Certification from Subrecipient and UM-PI

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Subrecipient Monitoring Best Practices for PI/Administrators

- Ongoing communication between UM and Subrecipient Investigators
 - Regular e-mail updates and Phone Conversations
 - Site Visits when necessary
 - Ensure all Technical reports and deliverables are timely and complete
- Close and Timely Review of Subrecipient Invoices
- Certification Stamp/Signature of the PI:

In signing below, I approve payment of this invoice and attest that the charges appear reasonable, and progress to date is satisfactory and in keeping with the statement of work.

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What to do if Subrecipient is:

- Not submitting deliverables or regular invoices:
 - PI should communicate concerns in writing directly to Subrecipient PI
 - Document content of discussion and dates
 - Send follow-up email ("Per our discussion this a.m.,)
 - Report issue to ORA Subaward Administrator if unsatisfactory response
 - Don't automatically approve invoices!
- Missing Final Invoice/Final Report/Final Deliverables at Closeout:
 - Don't approve Final Invoice
 - Report issue to ORA Subaward Administrator as soon as possible!

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Effort Reporting-The Mechanics

- Why?
 - OMB Circular A-21 requirement (J.10.b) - Payroll distribution system will allow confirmation of activity allocable to each sponsored agreement
- What?
 - Time, expressed as a percentage, faculty spend on sponsored projects
 - Used to capture cost share effort
- How?
 - Electronically complete forms 2 times per year after: Report Cycle 1 (Pay Periods 1-14) and Report Cycle 2 (Pay Periods 15-27)
- Who?
 - All paid from a sponsored project
 - PI MUST sign
 - Who signs Graduate student effort reports?

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Effort Reporting...

- ... must reflect 100% of all University compensated activity
 - Regardless of where the activity takes place (home, office)
 - Regardless of when the activity takes place (on vacation, on weekend)
- ... is not based on a 40-hour work week

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Cost Transfers...

- ... are the reallocation of costs directly charged to an award after the initial transaction has occurred.
- ... must be directly related to the project and be:
 - An allowable and allocable charge
 - Sufficiently documented
 - Made in a timely manner
- ... should never be used to:
 - Meet deficiencies caused by overruns in other awards
 - Avoid restrictions imposed by law or by terms of the agreement

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Financial Reporting

- When are they due?
 - During the award – quarterly or annual
 - Final – 90 days after award expiration
- Level of Spending
- Deliverables

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Closing out the Award

- What is financial compliance in closeout?
 - Ensuring that terms and conditions of award have been met
 - Ensuring costs are reasonable, allowable, allocable and timely
 - Ensuring that all reporting is done within required time period
- Who is responsible?

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Possible Consequences for Noncompliance

- Corrective Actions
- Special Terms and Conditions
- Loss of Expanded Authorities
- Cost Disallowance
- Withholding of Final Payment
- Withholding of Future Awards
- Civil and/or Criminal Violations

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Procedure for Closeout of Awards

- Receive closeout notices from Coeus
- Financial and performance reports must be submitted within 90 calendar days for awards and within 60 days for subawards
- The recipient must refund any advances or payments not authorized
- The recipient must account for any property acquired with Federal funds or received from the Federal Government

The above procedures also apply to subawards

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Subaward Closeout

- Occurs prior to the Closeout of the Prime Award
 - Prompted by COEUS notification
- Final Technical Reports and Deliverables
- Final Invoice
- Final Property Report (if applicable)
- Final Invention Disclosure (sent to Office of Technology Commercialization)
- PI Signs "PI Subaward Closeout Authorization"
- Subawardee signs "Release of Claims Form"

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Record Retention

- All records are required to be retained for 5 years- includes payroll records, requisitions, purchase orders, etc.
- ONR/NSF/NIH have asked for documentation 10-15 years back
 - What do you do when that happens?

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Resources

- Subcontracting Manual
 - <http://ora.umd.edu/resources/subcontract-manual>
- Effort Reporting Procedures
 - <http://was-3.umd.edu/Phr/UMCP%20Effort%20Reporting%20Procedures%20eff07-01-2012-3.pdf>
- UM Cost Share overview
 - <http://ora.umd.edu/resources/cost-share>
- Record Retention
 - http://www.dbs.umd.edu/records_forms/schedule/
- Effort Reporting Non Compliance & the Impact on You & Your Institution
 - www.youtube.com/watch?v=W3zMje5Jg2A
- Closeout Best Practices
 - www.youtube.com/watch?v=mYyepB-w6N4

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QUESTIONS



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