Designing Internal Controls for Federal Grant Programs

April 9, 2015
Overview

- Grants Management
- FAMU Policies and Procedures
- Grants Management Roles and Responsibilities
- OMB Uniform Guidance (Super Circular)
- Controls and Reviews
- Grants Management Accountability
Objectives

Employees will be able to:

- Apply concepts of Grants Management
  - Internal Control
- Locate Policies and Procedures and OMB Uniform Guidance
- Apply Concepts of Grants Management Roles and Responsibilities
- Apply the Uniform Guidance (Super Circular) to the appropriate Grants Management
- Recognize Controls and Review Process for Super Circular
- Understand the Importance of Grants Management Accountability
INTEGRATED PROJECT CONTROLS

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Purpose

- Tips for new and existing PI’s regarding proper proposals and project management
Every Successful Project Is Made of:

A) A Solid SOW
B) An Accurate Budget
C) Proper Management and Reporting
   - Budget
   - Subawards
   - Monthly Reports
The SOW Drives the Process...

1.0 Title
2.0 Background
3.0 Objective
4.0 Approach
5.0 Technical Tasks
6.0 Deliverables
7.0 Period and Place of Performance
8.0 Travel
The SOW Drives the Process (cont.)

9.0 Client Furnished Equipment (CFE)/Government Furnished Equipment (GFE) – Property Disposition

10.0 Budget/Restrictions

11.0 Deliverables-technical reports, quarterly reports, monthly reports

12.0 Government Point of Contact
Monthly Reports

- A Necessary Evil
- Legally Binding
- Keeps you out of Trouble
Client Management

- Regular Updates
- Kick Off Meeting
- Monthly Reports
- IPR’s with Subs
- Close-outs
Grants Management

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Grants Management

- Complying with all financial and program requirements of federal, private and state awards by ensuring funds are expended and programs are implemented in full accordance with policy requirements. CFR 200.300 -200.308
  - Assessment,
  - Compliances,
  - Corrective actions,
  - Financial,
  - Efficient,
  - Program,
  - Reporting requirements, and
  - Records management
Grants Management (continued)

- Management and knowledge
  - Project scope
  - Project product and services
    - Accomplishments and setbacks
    - Scheduled milestones
  - Project cost (projected and actual)
  - Project resources (fiscal, human and physical)
  - Project oversight
  - Time management
- Required project deliverables
Maintaining Financial Control

• Costs must be:
  ✓ Allowable
  ✓ Allocable
  ✓ Reasonable

• In accordance with:
  ✓ Uniform Guidance
  ✓ University Policies and Procedures
  ✓ Agency Program Regulations
  ✓ Terms and Conditions of the Grant
    • and terms of Subgrant
GRANTS MANAGEMENT LIFE CYCLE

Proposal Development

Identifying Funding Opportunities

Institutional Review & Compliance

Proposal Submission (Signature Approval(s))

JIT Submission, Review & Submission

Pre-Award

Post-Award

Incurring Costs (Procurement, HR, & Travel)

Monitoring & Reconciling

Reporting Requirements

Technology Transfer

Departments

Compliance

Contracts & Grants

Prior Approval Requests

Negotiate & Execute Incoming & Outgoing Subcontract & Contract Agreements

Source: © Partners HealthCare System, Inc., 2011
Making the Pieces Fit

- Ensure compliance with federal, state and university policies and procedures
- Manage sponsored projects
- Manage the entire lifecycle of a sponsored award
- Maintain documentation and implementation of best practices
- Comply with terms and conditions of sponsored awards and sub-contracts – Federal and Non-Federal
- Provide adequate budget for review and submission
- Continuous training
- Review and process awards and contracts
- Good stewards
- Review and monitors expenditures for allowable and unallowable
OMB Uniform Guidance (Super Circular)
The Office of Management and Budget “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Uniform Guidance (Cont’d)

- Audit Requirements Comparison Chart – OMB Circular A-133 and Proposed Uniform Guidance Subpart F

(available on Division of Research Website)
What is Cost Accounting Standards?

- It is a description of an institutional business practices, policies and procedures for accounting for costs.
  - Natural of accounting systems (cash or accrual)
  - How direct and indirect charges are applied to contracts and grants
  - Effort reporting and certification
  - Salary and pension plan costs
200.419 (a) CAS

- CAS 501, 502, 505 & 506 apply only to those Universities receiving $50M or more in Federal awards in a fiscal year.
- But, under the CASB regulation, CAS-covered contracts are always subject to the four standards:
  - Allowability of Costs - Basis for determining Federal awards expended
  - Allocability of Costs
  - Reasonableness of Costs - Accounting for unallowable costs
  - Cost accounting period for contracts and grants
- Disclosure Statement Threshold – 200.419(b)
  - Universities receiving $50 million or more in federal awards in a fiscal year
  - Unless $25M in CAS-covered contracts received in a fiscal year (even if < $50M in awards) – Varies.
200.413 Direct Costs – Clerical and Administrative

“...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:
- Administrative or clerical services are integral to a project or activity
- Individuals involved can be specifically identified with the project…;
- Such costs are explicitly included in the budget or have the prior written approval of the Federal award agency; and
- The costs are also not recovered as indirect costs.”

Note changes:
- Removal of “major project” requirement
- Recognition of administrative workload

Interpretations and Considerations
- Appendix II B.6.a. (indirect costs and departmental administration - like circumstances) and 200.430 (i) (compensation, allowable, protocol, etc.)
- Implementation of new changes may require revised DS-2
Computing Devices - Usual treated as indirect cost or considered general purpose equipment

Definitions – Supplies – 200.94

- A computing device is a supply if it does not meet the equipment capitalization threshold
  - What is FAMU capitalization threshold?

Material and Supplies...-200.453 (New Rule)

- “(c) In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.”
Is all costs allowable?

- Must be allowable, **necessary and reasonable**
- Meet needs identified in reviewed and approved proposal
- Must be included in Grant application [either in budgeted dollars or specific approval if required]
- Must be in agreement with grant purpose
- Obligation meets federal rules for timing of eligible expenditure
- OMB Uniform Guidance
PRE-AWARD

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Pre-Award

The Pre-Award staff responsible in the Grants Management Lifecycle:
- Provide technical guidance to PI and department administrators
- Serve as liaison between PI and Sponsor(s)
- Review proposal guidelines
- Review for Federal, State and Institutional Compliance
- Review for proper institutional signatures
  - Commitment – space, resources, effort, cost sharing, etc.
- Obtain all supporting documentations
- Review and submit contract and grant proposals
- Review and submit progress reports
- Create Pre-award proposal record – PeopleSoft (electronic)
- Review just in time submissions
Develop a Timeframe for Proposal Submission

- Identifying a sponsor
- Reviewing agency guidelines – latest version
- Developing proposal application in-line with guidelines
- Construct budget & justification based on proposal objectives
- Completing compliance training
- Route through department for adequate review and approval
- Submit to OSP timely for compliance review and submission
- Prepare to receive award
Common Budget Errors

- Budget not in line with agency guidelines
- Budget exceeds agency guidelines
- Budget based on past experience not on future projections and costs
  - Utilize Procurement Services
- Calculation mistakes
- Correlation mistakes
  - Requested funding not properly identified
  - Budget doesn't relate back to work outlined in the technical proposal
  - Justification does not match budget as related to % effort & itemization of costs
- Effort on project not identified
- Equipment quote missing
Common Budget Errors (Cont’d)

- Focusing on budget goals rather than program goals
- Inclusion of unallowable costs
- Inclusion of unapproved institutional commitment
  - In-kind or cash
- Missing subcontract information
  - Subcontract institutional approval letter
  - Detailed budget and justification on required forms
  - Subcontract rate agreement
  - Subcontract budget exceeds prime
- Price of items exceed reasonable cost
## Indirect Costs

**(Facilities and Administrative F&A)**

- Rates are structured by activity and location
- **Current rates:**

<table>
<thead>
<tr>
<th>Activity</th>
<th>on-campus</th>
<th>off-campus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>48.0%*</td>
<td>26%*</td>
</tr>
<tr>
<td>Research Ag.</td>
<td>39.0%*</td>
<td>26%*</td>
</tr>
<tr>
<td>Instructional</td>
<td>56.0%*</td>
<td>26%*</td>
</tr>
<tr>
<td>Other Sponsored</td>
<td>42.0%*</td>
<td>26%</td>
</tr>
<tr>
<td>State of Florida</td>
<td>Varies</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*based on Modified Total Direct Costs

*Note: A sponsor may restrict the level of indirect cost recovery based on guidelines only*
Proposal Transmittal

- Proposal information
  - PI & PI department number
  - Proposal title & key words
  - Funding agency & proposal type
- Signatures of all parties
  - PI, Co-PI’s and associated chair/division director and deans
  - Provost if Dean is the PI or in-kind and cash match requested
- PI submit to OSP via ImageNow, sponsor@famu.edu or proposals@famu.edu
Proposal Transmittal (Cont’d)

- Transmittal Form required for all contracts and grant submissions with appropriate signatures
- What resources did I agree to?
  - As chair/dean:
    - Any cost sharing (in-kind/actual dollars) resources
    - Faculty release time
    - Space to complete tasks
    - Any required renovation to space
    - Any other “noted” commitment
    - Adherences to agency and institution policies and procedures
What is the real deadline for proposal submissions?

“To be EARLY is to be on TIME, to be on TIME is to be LATE, and to be LATE leads to REJECTED proposal”.

Article Source: http://EzineArticles.com/565720
Institutional Signing Official

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Compliance Requirements

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Compliance Requirements

- What are your compliance requirements?
- Prior to grant submission:
  - Responsible Conduct in Research (RCR)—5 categories
    - Biomedical
    - Physical Science
    - Social and Behavioral
    - Engineering
    - Arts and Humanities

*RCR training is required if you are the PI, Co-PI, Post Doc, Graduate and Undergraduate*
Compliance Requirements

- **Financial Conflicts of Interest (FCOI)**
  - FCOI exist when the Institution’s Designated Official(s) reasonably determines that a Significant Financial Interest could directly and significantly affect the design, conduct, or reporting of NIH-funded research.
  - **Significant Financial Interest**: salaries, equity interest, or intellectual property rights

*FCOI training is required if you are the PI, Co-PI, and Post-doc*
Compliance Requirements

After the grant has been submitted and is about to be awarded:

**Human Subject Research – IRB Approval**

If you plan on conducting a survey, focus group, observational study, reviewing archival data, or if you have the following actions with humans in the following categories: Intervention, Interaction, Private Information or Identifiable information you must received IRB approval **BEFORE the GRANT is AWARDED**.

To receive IRB Approval you must complete human subject research training
Compliance Requirements

After the grant has been submitted and is about to be awarded:

• **Animal Subject Research** – IACUC Approval

• If you plan on using rats, mice, rabbits, guinea pigs, cows, pigs, horses, chickens, non human primates, dogs or cats you must receive IACUC approval **BEFORE the GRANT is AWARDED**.

• Grant Congruency between the grant and the approved animal protocol must be reviewed **BEFORE the GRANT is AWARDED**

• To receive IACUC Approval you must complete animal subject research training
Compliance Requirements

After the grant has been submitted and is about to be awarded:

- Biohazard Research – IBC Approval

- If you plan on using infectious agents or hazardous biological material that present a risk or potential risk to the health of humans, animals or the environment you must receive IBC approval **BEFORE the GRANT is AWARDED**

- To receive IBC Approval you must complete biosafety research training
POST-AWARD Accountability

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You Have Been Awarded: What Next?

- Once your post award project/account is set up, you can monitor your new account in the PeopleSoft system.
- The Office of Sponsored Programs (OSP) will email you a new award packet with the following information: account number, post award coordinator, budget sheets and terms and conditions of the award.
- When looking at your account for the first time, confirm that the budget has been entered correctly. Please contact your Post Award coordinator if you notice any discrepancies within 3 days to prevent errors before spending occurs.
- Schedule a meeting with your post award grants manager (KICK OFF MEETING). Get to know the manager and utilize him/her for advice, inquiries, etc.
Financial and Program Management

- Maintaining Financial Control
  - Expenditures
  - Payroll
  - Subcontracts

- Ensuring Budgetary Priorities are Met
  - Agency approved costs

- Monitoring Budget Reallocation
  - In-line with submitted and approved budgeted items
  - Change in scope

- Managing Contract and Grants Performance
  - Are you meeting your stated goals and objectives?
## Budget Modifications

### PI Responsibility

- Check terms and conditions regarding budget modifications...some grants require prior approval from the agency
- Work with contract and grants for record of current expenditures to date
- Check PeopleSoft commitment control
- Submit a formal request on the DOR/OSP budget amendment sheet
- Track budget revisions...develop a spreadsheet.

### OSP Responsibility

- Check terms and conditions regarding budget modifications...some grants require prior approval from the agency
- Review budget for allowable cost as approved by the awarding agency
- Check PeopleSoft commitment control
- Post budget in PeopleSoft as requested
- Provide PI with documentation after completion
Common Problems Encountered in Post Award Management

- Slow spending...30, 60, 90 day letters provided by OSP
- Purchases 30 days before project end date
- Changes in Scope of Work.. i.e. Hiring from Post Doc to Clerical or lower grade positions
- Cost transfers beyond 90 days
- Employees paid on wrong projects... encumbrance and cost center reports
- Non reporting to the agency....could result in stop work order on projects, and freezing of funds to the university by all sponsors
Audit

**Auditing Areas**
- Allowable and Unallowable Charges
- Cash Management
- CAS
- Effort
- Internal controls
  - Policies and Procedures
  - Period of Availability
- Programmatic
- Supplement *not* Supplant
Useful Management Tips

- Ensure all items purchased on the grant are in line with approved agency budget
- Respond quickly to requests for information from agency program staff
- Be sure that all the documents sent to agency staff have appropriate signatures (Principal Investigator and Authorized Business Official)
- Work closely with Central Administration Offices to address any issues
- Develop grants and budget management checklist to ensure all required items are completed and submitted timely
Contracts and Grants

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Financial Reporting

- The Office of Contracts and Grants is responsible for ensuring compliance with financial reporting in accordance with federal and state rules and regulations, sponsoring agency guidelines and University policies and procedures.

- This includes invoicing, drawdowns and financial reporting
Spending is Imperative for Success

- Expenditures are reported to the granting agencies based on the terms and conditions of the award.
- Account activity should be reviewed to ensure accuracy of the reporting.
Financial Reporting

- Spending
- Invoicing
- Drawing-down
- Reporting
- Compliance
Financial Reporting

• Federal grants require that a SF-425 Federal Financial Report, be submitted on a quarterly, semi-annual or annual basis.

• Occasionally grantors of which FAMU is a sub-recipient may require an SF-425

• Final SF425s must be submitted prior to the end of the 90 day liquidation period and must be signed by the Authorized University Official
Invoicing

- Some Agencies Require Invoices be submitted directly to them for reimbursement in the form of SF270s. Request for Advance of Reimbursement or agency specific invoices:
  - Payments usually take up to 30 days or more for receipt by the University
  - Often requires follow up by the office of Contracts & Grants.
  - Submitted to the office and/or person designated in the award.

- Drawdowns are submitted directly to the U.S. Treasury
  - Payments are received within one to two business days of the request.
  - Show spending on the grant quicker.
Financial Grant Close Out

- A notification that your project is nearing its end date.
- An encumbrance report is emailed to the Principle Investigator (PI).
- The encumbrance report is reviewed by the PI to identify any outstanding invoices to ensure payment for all goods and services received.
- Federal grants allow a 90 day liquidation period in which all expenditures must be paid and the financial report submitted. In order to accomplish this, we require that all expenditures be paid within 60 days of the end of the project.
- State and Private funded grants usually have a shorter liquidation period.
  - Goods must be received by PI/Department Representative.
  - All invoices must be paid by Accounts Payable prior to grant expiration.
  - Only charges that hit the general ledger are billed to the agency.
Financial Grant Close Out

- We are unable to open projects after the liquidation period ends and the final report is submitted to pay invoices. You will need to identify another pay source to cover these expenditures.
- Some grants will allow extensions to the close out period. However, please see the terms of your grant to make this determination.
Things That Keep Me Awake At Night

- Unallowable Expenditures!
- Numerous Cost Transfers!
Closeout
Closeout Requirements

- Final Technical Report
- Final Financial Status Report (FSR)
- Final Invention and Certification Statement
- Final Population Tracking Data (If applicable)
- Final Property Report
Reports

- Due 90 days following expiration and termination of grant or award.
- Financial Report
- Final Technical Report
  - Reports are made available to the public, and, therefore, should not include any copyrighted, private, or proprietary information
- Final Invention Statement and Certification does not relieve the person responsible for grant or award, or the institution, of the obligation to assure that all inventions are promptly and fully reported.
  - Statement shall include all inventions which were conceived or put into practice during the entire project period.
- Property Report
  - Equipment and other resources (based on agency requirement)
Reference Materials

- Federal Resources
  - Uniform Guidance
- FAMU Resources
  - Purchasing Manual
  - BOT
    - Policies
  - Division of Research
    - Procedures
  - Travel Guidelines for In-State and Out-of-State Travel
  - Academic Affairs and Human Resources
- Other
  - Partners HealthCare System, Inc., 2011
  - NCURA
DOR TEAM IS COMMITTED TO:

- FAMU & DOR MISSION & VISION
- MAINTAINING COMPLIANCE
- REACHING $100 MILLION IN FUNDING
- PROVIDING CUSTOMER SERVICES
- MANAGING STAFF & RESOURCES
Wrap-up: Q & A’s
Thank you for your time!