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Project Accounting, Office of Research Administration

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POST AWARD ADMINISTRATION II
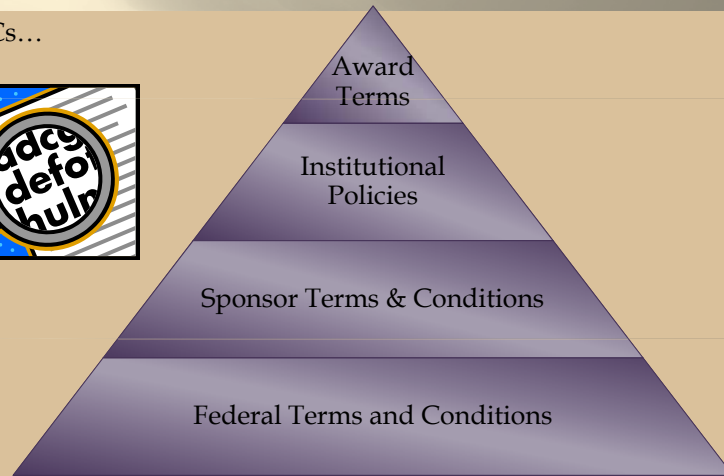
CALIFORNIA INSTITUTE OF TECHNOLOGY

Financial Management of Sponsored Awards

- Financial Compliance to Terms and Conditions
- Contracts vs. grants & cooperative agreements
- Responsibilities of the PI
- Responsibilities of Project Accounting
- Expenditure categories and types
- Special award conditions
- More on audits
- Award closeout

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Terms and Conditions....

T&Cs...

Pyramid (top to bottom):
- Award Terms
- Institutional Policies
- Sponsor Terms & Conditions
- Federal Terms and Conditions

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Contracts vs. Grants/Cooperative Agreements

CONTRACT	GRANT & COOPERATIVE AGREEMENT
▫ Acquisition (procurement)	▫ Financial Assistance
▫ Scope of Work (SOW) defined by the Gov	▫ PI develops research theme/goals
▫ Intent to accomplish Gov purpose	▫ Intent to accomplish public purpose
▫ Subject to federal cost principles (Office of Management and Budget Circular A-21)	▫ Subject to Federal cost principles issued by the Office of Management and Budget (OMB) Circular A-21
▫ Terms based on Federal Acquisition Regulation (FAR) & other contract language	▫ Subject to Federally mandated Administrative Requirements (OMB A-110) and Sponsor grants policies.

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Financial Compliance

- allowability

- allocability

- consistency

- reasonability

- questionable costs (food, foreign travel, honorarium)

- distribution of costs for related activities

- direct vs. indirect costs

- cost price analysis, prudent person rule

Referenced documents:
OMB Circular A-21 Cost Principles for Educational Institutions
OMB Circular A-110 Uniform Administrative Requirements for Grants and Other Agreements

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Results of Non-compliance to Federal Requirements……..

- Universities lose privileges from the Government, e.g. letter of credit payment terms revoked, expanded authority for award administration is rescinded, etc.
- Impact can also include:
  - returning funds with interest
  - additional penalty and fines for misusing Government funds
  - suspension/termination of all awards from the agency, can expand to Government-wide suspension
  - debarment with civil actions per False Claims Act
  - criminal action for theft, embezzlement, etc.

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Audits at Caltech

Office of Management and Budget Circular A-133 stipulates

- annual audit for awardees expending > $500K of federal funds
- conducted by third party, PwC

Defense Contracting Agency Audits

Sponsoring agency specific, includes Office of Inspector General (OIG) reviews and investigations

Internal reviews by ASIC

*Caltech **Audit Protocol is** followed while responding to all external audits (http://researchadministration.caltech.edu/pa/policies)*

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PI Responsibilities

▫ **The PI has the primary responsibility to:**

Financially

- Manage research expenditures with diligence

- Understand and adhere to all terms and conditions

- Certify that:
  - Expenditures charged, including costs incurred by subawards, are appropriate and benefit the award
  - salaries charged commensurate with effort spent

- Review expenditures posted to the award on a regular basis (recommend monthly review)

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PI Responsibilities

▫ **The PI has the primary responsibility to:**

Programmatically

➢ Execute the project according to the scope of work
➢ Monitor progress of sub-awardees/collaborators
➢ Achieve research objectives
➢ Ensure compliance with all applicable rules, regulations and terms and conditions of the award, including those of the Institute
➢ Ensure compliance with technical report requirements

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Project Accounting Responsibilities

Project Accounting has the primary responsibility to:
▫ review expenses for compliance with sponsor and institutional policies
  ▪ allowability, allocability and consistent treatment, e.g. food, hotel, foreign travel, equipment, F&A costs
  ▪ approve and process cost transfers
▫ ensure compliance with special award conditions
  ▪ cost sharing, program income, effort commitment, sponsor imposed salary caps, payroll certification, etc.
▫ coordinate all external audits (including Caltech's A-133 audit) related to sponsored research
▫ work with GM, PI and OSR to obtain agency approvals
▫ request reimbursements from sponsors (invoicing or LC draws)
▫ process payments to JPL
▫ submit financial reports and process financial closeouts
▫ provide training to campus

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After an award is accepted....

- OSR notifies PI
- Division requests expenditure account:
  - Project-Task-Award or PTA
- OSR activates PTA by allocating:
  - authorized funding to the Award
  - approved budget to the Project
- OSR updates Award with:
  - appropriate overhead rate (Burden Schedule)
  - Allowibility Schedule
  - sponsor information including terms and conditions
- PI starts research when the spending begins
  - charges salaries for self, researchers, student workers
  - purchases supplies, equipment
  - initiates subawards
  - attends project meetings, conferences
  - covers portion of graduate assistant's tuition

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Some Important Fields in P-T-As

Award Fields

- Funding Source Award Number
- Pre-Award Date
- Start and End Dates
- Award Closed Date
- Award Status (Active/At-Risk/On-Hold/Closed)
- Award Purpose (Sponsored Research/Research Training/Facilities Use/Technical Services)
- Allowibility Schedule
- Burden Schedule

Project Fields

- Project Type (Capital/Non-Capital)
- Project Status (Active/Closed)
- Project Duration

Caltech Web Queries-PTA Query

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PTA Review

- Project Accounting reviews PTA for
  - installment lines start and end dates match sponsor authorized funding period and are active and billable
  - effort and cost sharing commitments are entered
  - assignment of correct "GL Fund Segment" and Sponsor (Customer) Number
  - financial reporting information so that deadlines and other requirements can be entered in Caltech Award Reporting System (CARS)
  - classifications (fabrication vs. research, capital vs. non-capital, function codes for Caltech vs. JPL)
- Auditors review
  - PTA is set up with correct
    - burden schedules
    - start and end dates (award and project)
    - terms and conditions (ARRA, FFATA, cost sharing, travel restrictions, other budgetary restrictions, etc.)

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Let's talk about "Expenditures"

- Oracle financial system includes multiple sub-ledgers, commonly called modules
  - Award Management, Payables, Labor Distribution, General Ledger (GL), etc.
  - Each module also has sub-modules
- Expenditures are posted via the sub-ledgers and "costed" overnight
- *Cognos Campus Reports on Expenditures*
  - *GA By Award/Project*
  - *GA-By PTA*
  - *Shared Reports*
- Expenditure Categories are topmost level of expenditures, example, Materials & Supplies
  - Expenditure Types roll up under Expenditure Categories
- Each Expenditure Type is mapped to an "object code" in the GL

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Expenditure Categories

- Expenditure Categories are major cost categories:
  - Salaries, benefits, paid leave
  - Student aid
  - Stipends
  - Materials and Supplies
  - Subcontracts
  - Travel
  - Equipment
  - Overhead or Indirect Cost
  - Tuition Remission Allocation
    - and many more…….

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Expenditure Types

- Expenditure Types are more definitive cost types, roll up to Expenditure Categories:
  - Salaries include: Bi-weekly salaries, professorial salaries, grad assistantships, student wages, etc.
  - Stipends include: Post doctoral fellowship, participant support
  - Student aid includes: Grad fellowships, NTR grad fellowships
  - Materials & Supplies include: Supplies allocable, temp services, JPL exempt, food, hotel, parking, shipping, facilities, postage, etc.
  - Other Internal Charges include: Charges from service organizations (posted as Web Internal Charge-WIC)
    - Note: Caltech Wired is a service center, but a TechMart PO need to be set up for >$5K (equipment) purchases
- *Caltech Web Queries-Expenditure Type Details*

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Expenditure Types-Salaries

EXPENDITURE TYPE	DEFINITION	Overhead *	Paid Leave	Staff Benefits	Tuition Remission
Bi-Weekly Admin Staff	Salaries for administrative staff (i.e., those who support the administrative activities of the Institute)	Yes	Yes	Yes	No
Bi-Weekly Technical Staff	Salaries for technical staff (i.e., those who support the technical activities of the Institute)	Yes	Yes	Yes	No
Bi-Weekly Research Staff	Salaries for research staff (i.e., those who support organized research projects)	Yes	Yes	Yes	No
Monthly Admin Staff	Salaries for administrative staff (i.e., those who support the administrative activities of the Institute)	Yes	No	Yes	No
Monthly Technical Staff	Salaries for technical staff (i.e., those who support the technical activities of the Institute)	Yes	No	Yes	No
Monthly Research Staff	Salaries for research staff (i.e., those who support organized research projects)	Yes	No	Yes	No
Monthly Staff	Salaries for staff (other than research and administrative staff)	Yes	No	Yes	No
Other Faculty Salaries	Monthly salaries for non-professorial faculty	Yes	No	Yes	No
Professorial Faculty	Monthly salaries for professorial faculty	Yes	No	Yes	No

* Modified Total Direct Cost Base

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Expenditure Types-Salaries/Stipends

Expenditure Type	Definition	Overhead	Paid leave	Staff Benefits	Tuition Remission
Postdoctoral Fellowship	Monthly stipends for postdoctoral fellows, recipients of NIH, NSF and NASA fellowship /training grants	No	No	Not in benefits pool	No
Postdoctoral Scholar Sal	Monthly salaries for post doctoral scholars working on research projects	Yes	No	Yes	No
Res/Postdoctoral Fellows	Monthly stipends paid to research/postdoctoral scholars	No	No	Not in benefits pool	No
Grad Assistantships	Monthly salaries for graduate research assistants for working on institutional research	Yes (on salary only)	No	No	Yes
Grad Fellowships	Stipends paid to graduate students under fellowships	No	No	No	Yes
NTR Grad Assistantships	Monthly salaries for graduate research assistants for working on institutional research	Yes	No	No	No
NTR Grad Fellowships	Stipends paid to graduate students under fellowships	No	No	No	No
Stipend-Participant Support UG	Used only for stipends paid to Undergraduate students on NSF-REU awards	Yes at 25%	No	No	No
Student Wages NB	Salaries for students who do not receive benefits under the work study program, includes SURF students	Yes	No	No	No

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Expenditure Types

- ▣ More examples of expenditure types
  - Subcontracts: 1st $25K
  - Subcontracts: over $25K
  - Genome Array costs: 1st $75K
  - Genome Array costs: over $75K
  - JPL Expenditures Exempt
  - Travel: domestic, foreign
  - Equipment: Caltech owned, equipment-govt., or equipment-other owned
  - Relocation or moving costs
    - ▫ allowable only when employee is essential to the project on a full time basis for a continuous period of at least 12 months

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Restricted Expenditure Types
under federal awards & some other sources -

- ▣ Administrative salaries and other F&A type expenses
- ▣ Food, bar and Athenaeum hotel charges
- ▣ Equipment
- ▣ Foreign travel
- ▣ Honoraria
- ▣ Participant support costs
- ▣ Stipend payments

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Administrative costs

- ◘ Consistent Treatment-Direct vs. Indirect Cost
  - ▪ Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or as F&A costs
    - ▫ Costs that can be identified specifically with a particular sponsored project or can be assigned to such activities relatively easily are direct costs
    - ▫ Costs incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project are F&A costs
- ◘ Administrative salaries are normally charged as F&A costs, but may be acceptable if:
  - ▪ Meets the OMB A-21 definition of a Major Project
  - ▪ Included as a separate line item in the proposed budget and justified
  - ▪ Approved by sponsor
- ◘ Project Accounting reviews administrative costs charged to federal projects

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Food and Hotel

- ◘ Ask if food is entertainment
  - ▪ Caltech business expense guidelines state that federal contract and grant funds may not be used to fund entertainment
  - ▪ In case of a conflict between agency policy and Institute guidelines, more restrictive guidelines will apply
  - ▪ Project Accounting will follow-up with divisions when food and hotel costs are charged to federal awards
  - http://researchadministration.caltech.edu/documents/32-cit_business_expense_guidelines.pdf
  - http://researchadministration.caltech.edu/documents/33-cit_entertainment_guideline.pdf

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Equipment

▫ General Purpose Equipment (not allowed as direct cost)
  - Equipment not limited to research, scientific or other technical activities
  - Examples: office equipment and furnishings *(please don't try to buy a sofa)*, telephones, information technology equipment, printing equipment, etc.
  - Unallowable as direct charges except where approved in advance by the sponsor

▫ Special Purpose Equipment (may be allowed as direct cost)
  - Equipment limited to research, scientific or other technical activities
  - Institute definition of equipment:
    □ Stand-alone movable item, acquisition value of $5,000 or more AND useful life of at least one year (Note: JPL equipment threshold is $1,000)
  - University-wide equipment tracking required if using Federal funds

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Travel-Domestic and Foreign

▫ Travel
  - Airfare in excess of lowest available rate is unallowable
    □ Exceptions usually available if "lowest available" would result in traveling at unreasonable hours, excessively prolong the duration of travel, etc.
  - International travel
    □ Often requires prior approval from sponsor
    □ JPL requires special training 2 weeks prior to travel date
    □ Federal funds: Fly America Act
  - Supporting documentation for travel:
    □ Travel Expense Form
    □ Trip receipts (lodging, airfare)
    □ Per Diem rates
      · http://procurement.caltech.edu/departments/purchasinghome/travelhome

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Honoraria and Stipend Payments

- ▫ Honoraria
  - Caltech definition: Fees in recognition of a special service or distinguished achievement on which custom or propriety forbids a price to be set
    - ▫ Speaker fees are allowable for certain awards (e.g. conference grants)
    - ▫ Payments primarily intended to confer distinction or symbolize respect, esteem, or admiration cannot be charged to Federal awards
- ▫ Stipend payments
  - OMB A-21 J.45 states, "Costs of scholarships, fellowships, and other programs of *student aid* are allowable only when the purpose of the sponsored agreement is to provide *training* to selected participants and the charge is *approved by the sponsoring agency*."

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Participant Support Costs

- ▫ Awards may include funds for participants or trainees (*not Caltech employees*) attending meetings, conferences, symposia or training projects
  - Requires separate PTA for monitoring budget, overhead and expenditures
- ▫ Allowable costs are stipends or subsistence allowances, travel allowances and registration fees paid to or on behalf of participants or trainees
- ▫ Generally sponsor approval is required both to use funds for participant support, or to use such funds for other purposes

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Participant Support Costs

Expenditure type	Expenditure definition
Mtgs - Participant Support	(Materials & Supplies) Direct costs for registration or conference fees associated with meetings, conferences, symposia or training projects that are paid to, or on behalf of, participants or trainees who are not employees of the Institute
Travel - Participant Support	Direct costs for stipends, subsistence allowances and travel allowances associated with meetings, conferences, symposia or training projects that are paid to, or on behalf of, participants or trainees who are not employees of the Institute
Stipend Participant Support	Stipends paid under NSF grants that provide for participant support costs
Stipend Participant Support UG	Use only for stipends paid to undergraduate students on NSF- REU awards

- Why is it important to use the correct expenditure type? Because participant support costs are overhead free and are restricted by the sponsor
- Administrative costs such as room rental, copying, postage, and clerical services do not qualify as Participant Support costs.
- To rebudget funds from participant support cost category to another category requires Program Officer approval

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Unallocable Expenditure Types

- Expenditure Types with "Unallocable" extensions cannot be charged on a federal award
- Such expenditures are excluded from the Institute's F&A rate calculation
  - Supplies-unallocable
    - To be used for all unallowable supplies costs, e.g. Alcohol in a meal receipt
  - Foreign Travel-unallocable
    - Use when foreign travel is on a non-US carrier and travel costs are charged to *non-Federal awards, including gift, GB, endowment, etc.*

  Note: For Foreign travel on a non-US carrier that qualifies for an exemption under the Exemption Certification of the Fly America Act, use Foreign travel-Allocable

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The Auditors Review Expenditures for…

- Allowability, for expenses such as
  - stipends on research awards
  - hotel, food, alcohol, honorarium, advertisement
  - airfare on non-US airlines
- Allocability, when
  - travel is charged to one sponsor but effort charged to an unrelated sponsored award
  - supplier invoice is paid from multiple awards
  - payroll cost transfers at the last minute to use up unspent balance
- Reasonableness, when
  - airfare is not the lowest published rate
  - lodging costs are higher because traveler did not stay at conference recommended hotel
  - per diems for meals exceed Institute standards (GSA rates)

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Correcting Expenditure Types

- Pull up the "expenditure type" from Caltech Web Queries>Expenditure Type Details
  - Check "Area Being Used" field for the responsible unit
  - Contact the responsible area to make the correction
  - Some examples are:
    - E-type for supplier invoices will be corrected by Payables (or A/P)
    - Student Aid expenditure types will be corrected by the Bursar's Office

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Special Award Conditions

□ Special compliance monitoring
  - cost sharing
  - cost transfers
  - payroll distribution confirmation
  - faculty effort monitoring
  - NIH salary cap compliance
  - NSF salary restrictions
  - JPL IA and Transfers
  - audits

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Cost sharing

Portion of project costs not borne by the sponsor

Types of cost sharing
  - Mandatory (required in program solicitation)
  - Voluntary committed (PI proposed and sponsor awarded, therefore required)
  - Voluntary uncommitted (not mentioned in the proposal or award)

Mandatory and voluntary committed require tracking
  - Set up cost sharing companion awards (ZOACS Awards)
  - Set up NIH or other sponsor mandated salary cap companion awards

Caltech policy on cost sharing
http://researchadministration.caltech.edu/documents/37-policy_costsharing.pdf

OMB A-110, Subpart c-Post Award Requirements, .23 Cost Sharing
http://www.whitehouse.gov/omb/circulars/a110/a110.aspx

Cost Sharing Expenditures

Follow same cost principles and administrative requirements as Federal awards, allowable, allocable, reasonable

Expenditures need to be verifiable from Caltech records and not included as contributions for any other research projects

Federal funds cannot be used as cost sharing

Third party cost sharing requires "Green Sheet" (Caltech Cost Share Certificate) certification and supporting documentation

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Cost Sharing – Companion Awards

At acceptance of the award*

- OSR
  - Provides PTA create information
  - Requests cost share funding source/s
- Division
  - Submits request for main and companion PTAs
  - Provides cost share funding source/s to OSR
- OSR activates main PTA and ZOACS Award only <u>after</u> receiving cost share funding source information
  - When cost sharing is coming from another sponsored PTA (non-federal) or an outside entity, a "Green Sheet" certification will be requested by Project Accounting

*Same process applies to "At Risk" PTAs

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Cost Sharing - Companion Awards

Naming convention for companion awards

- Mandatory and voluntary cost sharing = ZOACS.XXXXX
  - Z - so this PTA always appears last on PTA listings/reports
  - OACS = Other Activities Cost Sharing
  - XXXXX – Should be the same as Caltech award number
- Salary cap = <Sponsor Prefix>SAL.XXXXX
  - Example: NIHSAL.12345; or subaward: USCSAL.12345

When setting up companion PTA (including salary cap), select "**CIT Cost Share**" for Funding Source Name

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Cost Sharing Companion PTA Example

Funding Source
Award RO1B12345

CIT Sponsored
Award
NIH.12345

CIT Cost Sharing
Award
ZOACS.12345

CITPROJ
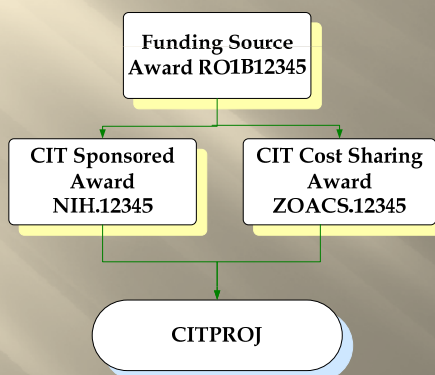
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Key Personnel Effort Monitoring

- ▣ Federal regulations
  - ▪ consider Key Personnel effort quantified in the budget or justified in the proposal as a binding commitment
    - ▫ *Directors of Recharge Centers identified as Key Personnel on research projects should direct charge research effort, not via recharge center WIC accounts*
  - ▪ Require effort charged to be compared to effort devoted to the project
    - ▫ when effort committed is greater than effort reimbursed by sponsor, difference is cost sharing

After the Fact Cost Sharing
Treated as Voluntary Committed Cost Sharing

- ▣ Reductions in committed effort of key personnel may require cost sharing
  - ▪ If salary charged is < % of effort committed & the reduction is $\geq$ 25%, then either:
    - ▫ the PI did not work at the level committed
      - · requires sponsor approval <u>OR</u>
    - ▫ the PI did not charge all of the effort to the project and the difference is voluntary committed cost sharing
      - · requires ZOACS companion award
      - · requires PI to cover the unrecovered F&A

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After the Fact Voluntary Committed Cost Sharing

- If salary charged is < % effort committed & the reduction is < 25%, it is either
  - the PI did not charge all of the effort to the project, the difference becomes voluntary committed cost sharing (example: PI declared higher effort % in the progress report)
    - requires ZOACS companion award
    - requires PI to cover unrecovered F&A <u>OR</u>
  - the PI did not perform at the committed level of effort due to no cost extension or other reasons (example: PI declared effort % at the lower level in the progress report)
    - OSR to be informed by the PI or GM of the reduction in effort
    - Reduced effort will be entered in OGM Award Commitment

**Important to remember that Caltech policy requires PIs to commit to minimum 1%, effort reduction under 1% will be considered voluntary committed cost sharing

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Effort in Progress Reports

- NSF, NIH require PIs to disclose effort in progress reports
- Technical or progress reports are submitted by PIs to the program officers, they are not approved by Institute's authorized offices
  - OSR, PA and GMs do not get copies of progress reports
  - PIs should consult effort charged with GMs before submitting progress reports
- When effort declared in progress report is…..
  - less than salary certified in Payroll Distribution Confirmation (PDC), it can be problematic and may require
    - revising the progress report
    - processing payroll cost transfer (Labor Distribution Adjustment) to reduce salary charged and re-certify PDC
    - requesting sponsor approval to reduce effort by more than 25%
  - more than certified in PDC
    - effort over the committed amount is voluntary uncommitted cost sharing which will not require tracking; however, total declared research effort of the PI cannot exceed 100%
- *Cognos Campus Reports>Res. Admin Compliance*
  - *Inception To Date Commitment Balance Report*
  - *Effort Commitment Scheduling Report*

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Voluntary Committed/Uncommitted Cost Sharing Due to PI Effort Deviations

▫Example 1: PI *committed* 10% effort, *charged* 8% salary to the award and indicated 10% effort on the Progress report submitted to the sponsor
  ▪2% difference is voluntary committed cost sharing
  ▪Requires ZOACS companion award

▫Example 2: PI *committed* 10% effort, *charged* 8% salary to the award, and certified *PDC* for 8% effort commensurate with salary distribution
  ▪If the PI has reported 8% effort in the Progress report, OSR needs to be contacted and the reduction documented in OGM

▫Example 3: PI *committed* 10% effort, *charged* 8% salary to the award and certified *PDC* for 8% effort commensurate with salary distribution; but indicated 15% effort in the Progress report submitted to sponsor (NIH, NSF)
  ▪2% difference between committed effort and payroll distribution is voluntary committed is cost sharing
    ▪Requires ZOACS companion award
  ▪Remaining 5% (difference between effort *committed* and declared in the progress report) is voluntary *uncommitted* cost sharing and *will not require a ZOACS companion award*

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NIH Salary Cap

▫ NIH mandates salary limitations on NIH awards
  ▪ Restricts institutional base salary (IBS) of personnel working on NIH awards to Executive Level II pay scale (currently $179,700/year or $14,975/month)
  ▪ Requires universities to monitor salaries charged to NIH awards to be in compliance with the legislative salary limitation
▫ Universities are allowed to pay salary in excess of the salary cap with non-federal funds
▫ Salary cap calculator is available for divisions to calculate over the cap salary
  ▪ *Caltech Web Queries: CIT Salary Cap Calculator*

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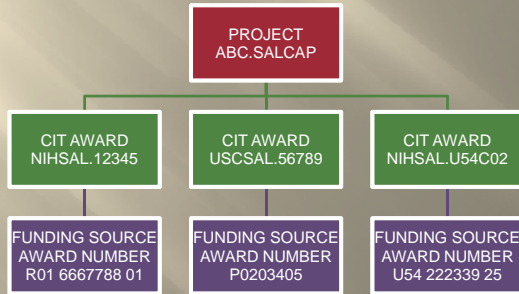
Cognos Report-NIH Salary Cap with PTA Security

Mar 20, 2013

California Institute of Technology

NIH Salary Cap Report - Campus

Pay Period From Date:	Pay Period T Funding Source Award Number Employee:		Active Awards Only:
Jan 1, 2012	Sep 30, 2012 All	John Smith	Yes

John Smith

P50 MH094258A

Pay Period	Award	PTA Status	Assig #	Earning Element	Pay Period Dist %	Dist % to NIH	LDA % to Enter
06/01/2012-06/30/2012	NIH.AWARD1	Active		Monthly	5.84%	5.84%	23.69%
06/01/2012-06/30/2012	NIH.AWARD1	Active		Monthly	11.69%	11.69%	23.69%
07/01/2012-07/31/2012	NIH.AWARD1	Active		Monthly	6.87%	6.87%	23.69%
07/01/2012-07/31/2012	NIH.AWARD1	Active		Monthly	13.75%	13.75%	23.69%
08/01/2012-08/31/2012	NIH.AWARD1	Active		Monthly	6.36%	6.36%	23.69%
08/01/2012-08/31/2012	NIH.AWARD1	Active		Monthly	12.72%	12.72%	23.69%
09/01/2012-09/30/2012	NIH.AWARD1	Active		Monthly	6.36%	6.36%	23.69%
09/01/2012-09/30/2012	NIH.AWARD1	Active		Monthly	12.72%	12.72%	23.69%

R01 MH080721A

Pay Period	Award	PTA Status	Assig #	Earning Element	Pay Period Dist %	Dist % to NIH	LDA % to Enter
01/01/2012-01/31/2012	NIH.AWARD2	Active		Monthly	17.63%	20.00%	3.80%
01/01/2012-01/31/2012	NIHSAL.AWARD2	Active		Monthly	2.37%		
02/01/2012-02/29/2012	NIH.AWARD2	Active		Monthly	17.63%	20.00%	3.80%
02/01/2012-02/29/2012	NIHSAL.AWARD2	Active		Monthly	2.37%		
03/01/2012-03/31/2012	NIH.AWARD2	Active		Monthly	17.63%	20.00%	3.80%
03/01/2012-03/31/2012	NIHSAL.AWARD2	Active		Monthly	2.37%		
04/01/2012-04/30/2012	NIH.AWARD2	Active		Monthly	17.63%	20.00%	3.80%
04/01/2012-04/30/2012	NIHSAL.AWARD2	Active		Monthly	2.37%		
05/01/2012-05/31/2012	NIH.AWARD2	Active		Monthly	17.63%	20.00%	3.80%
05/01/2012-05/31/2012	NIHSAL.AWARD2	Active		Monthly	2.37%		
06/01/2012-06/30/2012	NIH.AWARD2	Active		Monthly	15.26%	20.00%	-0.01%
06/01/2012-06/30/2012	NIHSAL.AWARD2	Active		Monthly	4.74%		
07/01/2012-07/31/2012	NIH.AWARD2	Active		Monthly	15.26%	20.00%	-0.01%
07/01/2012-07/31/2012	NIHSAL.AWARD2	Active		Monthly	4.74%		
08/01/2012-08/31/2012	NIH.AWARD2	Active		Monthly	15.26%	20.00%	-0.00%
08/01/2012-08/31/2012	NIHSAL.AWARD2	Active		Monthly	4.74%		
09/01/2012-09/30/2012	NIH.AWARD2	Active		Monthly	15.26%	20.00%	-0.01%
09/01/2012-09/30/2012	NIHSAL.AWARD2	Active		Monthly	4.74%		

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Funding Cost Sharing & Salary Cap PTA/s

Project Accounting notifies divisions & then:

- Debits *funding source* PTA/s
  - Expenditure type-Cost Share Trfs Out GB
  - Expenditure type-Cost Share Trfs Out Non GB
- Credits *cost share* PTA/s
  - Expenditure type-Cost Share Trfs In GB
  - Expenditure type-Cost Share Trfs In Non GB

Cost share PTA/s will always have *zero* budget

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The Auditors Review....

▫ Cost shared expenditures:
- are not charged to a federal project directly or via a recharge center
- are incurred according to the budget and allocated to sponsor and Caltech accounts around the same time
- are not reported as cost sharing for another project
- for appropriate documentation including third party certification

▫ PI effort commitment on Federal awards
- to insure that variances between salaries charged and effort committed are tracked and reported as cost sharing

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NSF Salary Restrictions

NSF limits academic salary for senior project personnel to no more than the equivalent of two months of their regular salary received from all NSF funded grants in any one year

If anticipated, any compensation for such personnel in excess of two months needs to be disclosed in the proposal budget, justified and specifically approved by NSF

Cognos Campus Reports>Res. Admin Compliance>Labor Distribution Query-NSF Compliance Report

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Cost Transfers

What is a cost transfer ?

- Error correction
  - clerical or other errors identified during review of expenditure reports
- Reallocation of effort and other non-labor expenses where multiple projects benefit
- Reallocation of shared services
- Transfer of pre-award costs

Caltech policy on cost transfers
http://researchadministration.caltech.edu/documents/29-policy_costtransfers.pdf

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Cost Transfers

Cost transfers

- Policy does not apply to transfers from suspense to federal account within a month of the GL date
- Policy applies to transfers to Federal awards, including cost sharing and salary cap companion awards
- Transfers between PTAs funded under same federal award are considered intra-award reallocation
  - Intra-award transfer form or cost transfer form without extensive justification can be used

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Cost Transfers

The transfers

- need to occur within the first 90 days of the GL date
- need to be submitted with backup and authorization to **PACostTransfers@caltech.edu** (new mailbox)
- are over 90 days and/or from overdrawn federal awards, they are high audit risks
  - require PI and division chair's approval
- overdraft transfers between sponsored projects are not allowed unless certain circumstances exist
- Transfers between two sponsored awards may require additional justifications

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Cost Transfers-High Risk

Cost transfers over 90 days and/or from overspent federal awards require:

- cost transfer justification form with questions 1 through 5 answered in Section C
- justifications need to meet extenuating circumstances from CIT Cost Transfer policy
- original signatures (no rubber stamps) or electronic authorizations from PI, Division Chair and Project Accounting official
- labor transfers impacting certified PDCs may require recertification

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Cost Transfers-Extenuating Circumstances

*What **will** qualify as an extenuating circumstance?*

Late issuance of appropriate documentation for reasons beyond the control of the requestor, such as late issuance of an award by a funding agency

Failure of another department to take action when supporting documentation had been properly submitted

Transfer of expenditures from an unrestricted account to a federal award that was not in place when the expense was incurred

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Cost Transfers-Extenuating Circumstances

What will **not** qualify as an extenuating circumstance?

- Absences of the PI or cognizant administrator
- Shortage or lack of experience of the staff administering the awards
- Federally funded sponsored accounts used as a holding account for expenditures

If in doubt send PA a draft for pre-review and feedback before obtaining signatures

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The Auditors Review.....

- Cost transfers to check
  - appropriate approvals are obtained
  - justifications are adequate with complete backup documentation
  - costs are reallocated based on proportionate benefits to the projects
  - federal accounts are not used as holding accounts
  - costs are not transferred to "use up" remaining balances

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Payroll Distribution Confirmation

Federal government requires effort reporting or salary certification for all directly charged salaries

Key Personnel Effort

- effort committed=salaries paid (direct +cost shared)
- reductions greater than 25% require sponsor approval
- reductions may create cost sharing situations

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Payroll Distribution Confirmation

PA distributes semi-annual reports

- Faculty PDC
  - faculty certifies work performed commensurate to salary received
- Award Manager PDC
  - PI certifies work performed by all personnel commensurate to salaries received

Discrepancies result in labor cost transfers

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The Auditors Review…..

- ▣ Payroll Distribution Confirmation (PDC) reports to check
  - PDCs are certified by appropriate personnel
  - correction of salaries on PDCs are followed up with LDAs
  - certified PDCs are returned to Project Accounting by the PDC deadline

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JPL IAs

Interdivisional Authorization (IAs)

- JPL authorizes Caltech to perform work (research or other services)
- JPL is treated as the "sponsor"
- Caltech PI and JPL PI concur on technical merit
- OSR accepts research IA from JPL
- OSR activates division's PTA request and allocates budget
- Caltech overhead rates are applied
- Caltech bills JPL for costs incurred

JPL IAs (cont.)

Research IAs

- Special Consideration
- Equipment
  - JPL equipment threshold is $1,000
  - Purchase or fabricated equipment JPL is considered Government-owned equipment
  - Upon completion of the IA, Caltech will be required to return the equipment to JPL
- Travel
  - Foreign travel requires prior approval and special training for the traveler

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JPL Transfers

JPL Transfer

- Caltech authorizes JPL to perform work (reverse of a JPL IA)
- Caltech division submits Purchase Requisition (via TechMart)
- Caltech Purchasing Services issues Purchase Order (PO) to JPL
- Costs are incurred on Caltech PTAs under "JPL Expenditure Exempt" expenditure type
- JPL bills Caltech for costs incurred

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Some More on Caltech Audits...

- ▫ A-133 Audit
  - ▪ Auditors perform 14 compliance checks
    - ➢ Activities Allowed or Unallowed
    - ➢ Allowable Costs/Cost Principles
    - ➢ Cash Management
    - ➢ Equipment and Real Property Management
    - ➢ Cost Sharing
    - ➢ Period of Availability
    - ➢ Procurement and Suspension and Debarment
    - ➢ Reporting (Financial, ARRA, FFATA)
    - ➢ Subrecipient Monitoring
    - …….and other miscellaneous checks
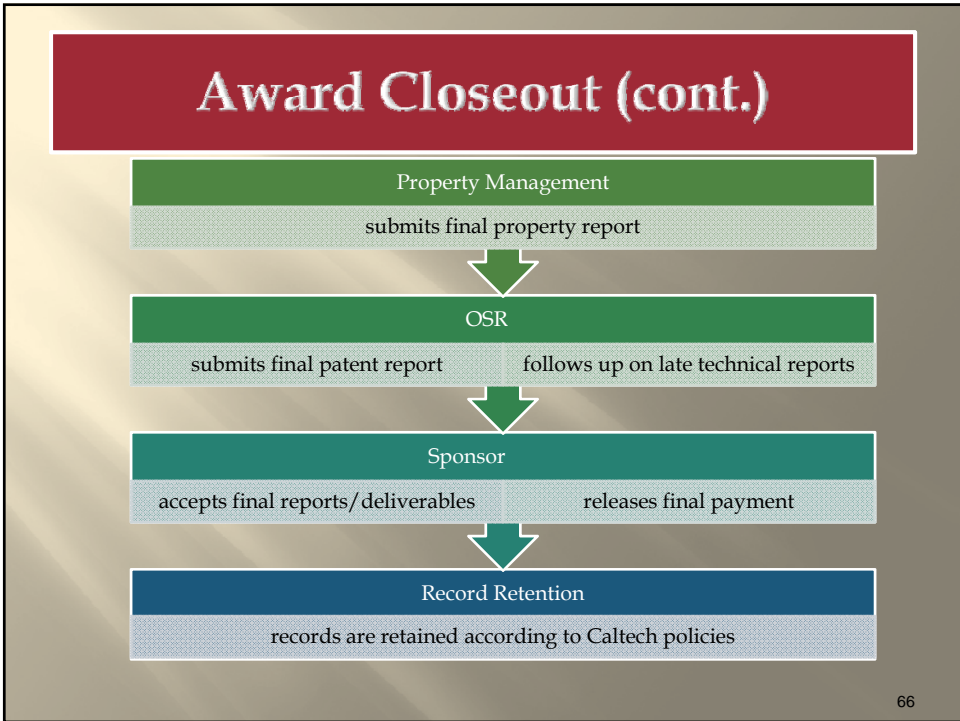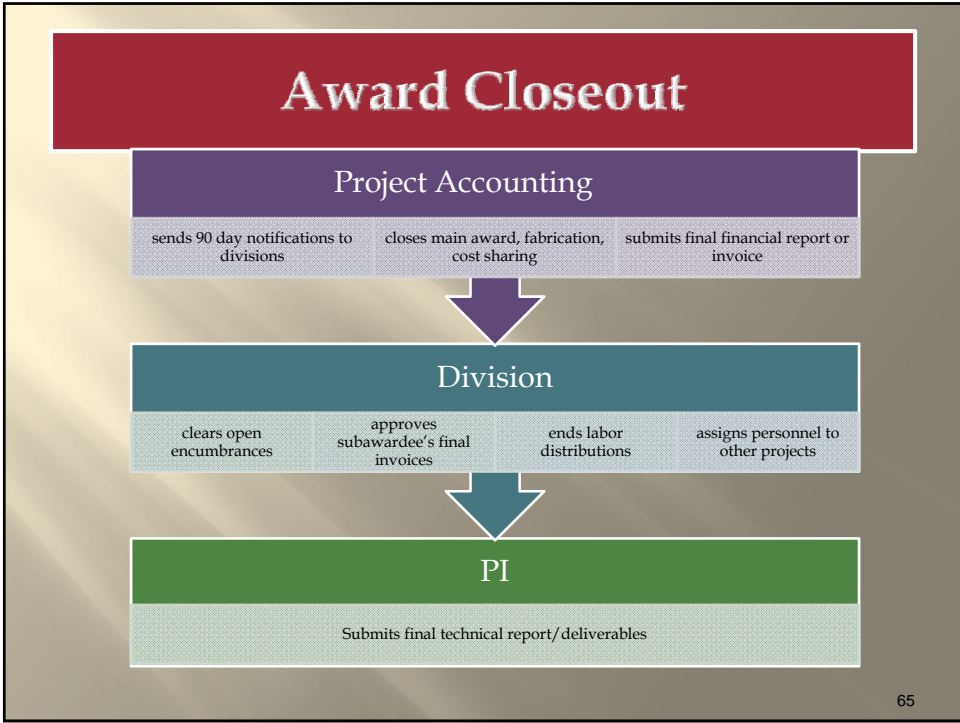
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Some More on Caltech Audits......

- ➢ DCAA auditors conduct year-long audits, they
  - ➢ interview employees including staff, students and faculty
  - ➢ audit charges to federal awards:
    - ➢Supplies-documentation invoices, pos
    - ➢Equipment-invoices, pos, physical location
    - ➢Consulting charges-agreements, pos, invoices
  - ➢ audit refunds issued on federal awards:
    - ➢Vendor credits, etc.
- ➢ PwC audits JPL IAs as part of JPL's A-133 audit

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Some More on Caltech Audits.....

Random audits conducted by sponsors
- ▣ Investigations conducted by the Offices of Inspector Generals
- ▣ Program specific audits conducted by sponsor
- ▣ Federal Financial Report reviews conducted by NSF
- ▣ Requests for back up received from prime recipients

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Award Closeout

Project Accounting

sends 90 day notifications to divisions	closes main award, fabrication, cost sharing	submits final financial report or invoice

Division

clears open encumbrances	approves subawardee's final invoices	ends labor distributions	assigns personnel to other projects

PI

Submits final technical report/deliverables

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Award Closeout (cont.)

Property Management

submits final property report

OSR

submits final patent report	follows up on late technical reports

Sponsor

accepts final reports/deliverables	releases final payment

Record Retention

records are retained according to Caltech policies

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THANK YOU!

For more information check out our website:
http://researchadministration.caltech.edu
http://researchadministration.caltech.edu/theguide