

SPONSORED PROJECT MANAGEMENT “AN OVERVIEW”

I RECEIVED A NOTIFICATION OF AWARD ACTIVATION, NOW WHAT?

Overview:

- **The Purpose of this session is to provide an overview of the key components, “need to know” of grant administration at NAU**

SPONSORED PROJECT MANAGEMENT “AN OVERVIEW”

I RECEIVED A NOTIFICATION OF AWARD ACTIVATION, NOW WHAT?

TOPICS:

- Type of Awards and Sponsors
- Federal Cost Principles
- PeopleSoft: NAU’s Grant Management Financial System
- Award Management (Verify and Monitor, Cost Share, Effort Reporting)
- Award Close Out
- Audit Red Flags (Cost Transfers, Burn Rate, Audit Findings)

TOPIC: TYPE OF AWARDS AND SPONSORS

Primary Award Types:

- **Grant:** Financial assistance predicated by a submission of a proposal generally initiated by the PI/University. Ordinarily, grants do not include commitments to provide specific products (deliverables). Not all grants are for research. Some provide support for activities related to instruction, public service, training, conference or symposia attendance.
- **Contract:** A contract typically includes commitments to provide specific deliverables. Payment is tied to performance, deliverables, tasks and milestones. Contracts are more restrictive in terms and conditions.

TOPIC: TYPE OF AWARDS AND SPONSORS (CONT'D)

Primary Award Types:

- **Cooperative Agreement:** An award similar to a grant, but typically involve a significant level of sponsor participation and collaboration in the administration and direction of the project.
- **Sub-Award:** An award issued to the University by another institution, who is the prime recipient of an extramurally funded grant. The primary purpose of the sub-award is for the University to implement or perform a portion of the scope of work under the prime recipient's funded grant.

TOPIC: TYPE OF AWARDS AND SPONSORS (CONT'D)

Primary Sponsor Types:

- Federal Government
- State Agency
- Universities
- Non-Profit
- Industry

TOPIC: TYPE OF AWARDS AND SPONSORS (CONT'D)

Why it's important that you understand the award type of your sponsored project:

- Terms and Conditions are typically based on award type.
- Award type defines the type of activity of your sponsored project.
- Determines the level of involvement.
- The expectations (deliverables) vary. i.e. Contracts generally have milestones, tasks and/or options.

TOPIC: TYPE OF AWARDS AND SPONSORS (CONT'D)

It's important to understand the sponsor type of your project as terms and conditions are typically unique to the type of sponsor.

- **Federal:** Uniform Guidance [2 CFR 200](#)
- ***State Agency:** State Statutes
- ***Universities:** Board of Regents, Governing Board
- ***Non-Profit:** Bylaws
- ***Industry:** Specific to the company

* Federal funds award via sub-award to NAU fall under the 2 CFR 200

TOPIC: TYPE OF AWARDS AND SPONSORS (CONT'D)

Even though there are different Award & Sponsor types they have several things in common. For example:

- The sponsor funded budget is loaded in the PeopleSoft Financial System to provide the PI spending authority to conduct his/her sponsored project. (funded vs award budget, incremental funding of budget periods, i.e. \$1 million awarded, \$500k funded for first budget period).
- All have oversight management by OSP.
- All sponsors will be invoiced by NAU Sponsored AR (in unique invoicing situations the department will work with OSP as the liaison with Sponsored AR for the billings to occur)

TOPIC: FEDERAL COST PRINCIPLES

HOW DO I DETERMINE A COST CHARGED TO MY AWARD IS ALLOWABLE?

OMB Uniform Guidance 2 CFR 200 subpart E “Cost Principles”

- Allowable – ([§200.403](#)) necessary and reasonable for the performance of the project
- Reasonable – ([§200.404](#)) an amount a prudent person would pay, and
- ***Allocable** – ([§200.405](#)) are clearly assignable to the award with relative benefits received

**Greatest level of scrutiny by auditors*

Treated Consistently – Like costs in similar circumstances need to be charged directly or indirectly (F&A)

TOPIC: FEDERAL COST PRINCIPLES (CONT'D)

Any costs charged to federally sponsored awards are classified as either:



DIRECT COSTS

OR

**FACILITIES & ADMINISTRATIVE COST
INDIRECT COSTS (IDC)**

* But Not Both!

TOPIC: FEDERAL COST PRINCIPLES (CONT'D)

WHAT ARE DIRECT COSTS?

Costs that can be identified specifically with a particular sponsored project or that can be directly assigned to an activity relatively easily with a high degree of accuracy.

- **Personnel**: Salaries, wages, fringe benefits for individuals working directly on the project.
- **Materials & Supplies**: Goods needed to conduct the project.
- **Purchased Services**: Services needed to conduct the project.
- **Equipment**: Needed to conduct the project.
- **Sub-awards/contracts**: Work performed by other institutions needed to conduct the project.

TOPIC: FEDERAL COST PRINCIPLES (CONT'D)

WHAT ARE INDIRECT COSTS (FACILITIES & ADMINISTRATIVE)?

Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project or other activity. Some examples are:

- **Cost of operating and maintaining facilities:** water, electricity, general maintenance.
- **Administrative activities:** HR, payroll, accounting, executive management, OSP, department administrative support.
- **General purpose supplies:** office supplies, furniture, toner, copiers.

TOPIC: FEDERAL COST PRINCIPLES (CONT'D)

WHAT ARE INDIRECT COSTS (FACILITIES & ADMINISTRATIVE)?

- Regular Postage
- Memberships: subscriptions & professional activity.
- Telephone: office, individual cell phone & data communication.

See [NAU Negotiated Rate Agreement](#) for specific rates

TOPIC: FEDERAL COST PRINCIPLES (CONT'D)

SPECIAL NOTE ABOUT ADMINISTRATIVE COSTS

In accordance with the Uniform Guidance, administrative and clerical staff salaries should normally be treated as indirect (F&A) costs. However, direct charging of these cost *may* be appropriate if all of the following conditions are met:

- Services are integral to the project.
- Individuals can be specifically identified with the project.
- The costs are explicitly included in the budget or *prior* written approval from the sponsor.
- The costs are not also recovered as indirect costs.

TOPIC: FEDERAL COST PRINCIPLES (CONT'D)

SOME OF THE UNALLOWABLE COSTS FOR BOTH DIRECT AND INDIRECT

- Alcoholic Beverages (except when alcohol is the subject of the statement of work)
- Contributions and Donations
- Entertainment Costs
- Fines and Penalties
- Good and Service for personal use

TOPIC: FEDERAL COST PRINCIPLES (CONT'D)

SOME OF THE UNALLOWABLE COSTS FOR BOTH DIRECT AND INDIRECT

- Housing & Personal Living Expense
- Lobbying Costs
- Losses on other sponsored agreements or contracts
- Student activity costs

[Quick Reference Guide](#)

TOPIC: PEOPLESOFT, NAU'S GRANT MANAGEMENT FINANCIAL SYSTEM

Once a fully executed award is received with no additional negotiation, it typically takes 3 to 5 business days to setup the award in the PeopleSoft Grant Management system.

A fully executed award has none of the following outstanding examples:

- IRB Approval
- Conflict of Interest Management Plan
- Cost Share Plan
- IACUC (institutional animal care & use committee)

TOPIC: PEOPLESOFT, NAU'S GRANT MANAGEMENT FINANCIAL SYSTEM (CONT'D)

Once the PeopleSoft award setup is completed the PI and Administering department will receive a notice of award activation.

The Award Activation Notification will provide you with the necessary information regarding:

- Current Amount being funded
- PeopleSoft Project Number and Speedchart
- Budget Period, Performance Period, F&A rate
- If Cost share is required
- Any special conditions of the award (Pay attention to the notes section)

TOPIC: PEOPLESFT, NAU'S GRANT MANAGEMENT FINANCIAL SYSTEM (CONT'D)



Office of Sponsored Projects

NOTICE OF AWARD ACTION IN PEOPLESFT

Date: 09/10/2019 Type of Action: Activation Contract #: 20.9999

Primary Project ID#: 1009999 Speedchart: G 1009999 Department ID: 9019000

Principal Investigator: Joe Physics Dept. Name: Physics

Agency Name: National Science Foundation Award Number: 134567

Project Title: Condensed matter

Period of Performance:

Budget:

	Start Date	End Date
Budget Period	10/01/2019	09/30/2020
Project Period	10/01/2019	09/30/2021

	Current Budget	Previous Budget	Cumulative Budget
Period	Year 1 of 2		
Direct	\$ 328,948.00		\$ 328,948.00
Indirect	\$ 171,052.00		\$ 171,052.00
Indirect Rate	52.00%	MTDC - Modified Total Direct Cost	
Total	\$ 500,000.00	\$ 0.00	\$ 500,000.00

Cost Share

Notes:

Special Note: No equipment purchases is allowed or Foreign Travel without prior sponsor approval. Incrementally funded \$500,000 for the first year.

Post Award Administrator: Ivan Ochsner 928-523-3664, Ivan.Ochsner@nau.edu

Grant & Contract Administrator: William Preiss 928-523-2402, William.Preiss@nau.edu

TOPIC: PEOPLESOFT, NAU'S GRANT MANAGEMENT FINANCIAL SYSTEM (CONT'D)

When you have knowledge that an award is forth-coming and you need to start the sponsored project now, you may request an ADVANCE ACCOUNT.

- Due to the higher risk factor Advance Accounts are generally not recommended for Contractual Awards or when a “Just in Time” is required from the sponsor.
- Chair and Dean approval by way of a guarantee is required (even when using start up funds).
- Reasonable assurance from the sponsor that the award is forth-coming.
- Official award must have 90 day advance spending clause.

Policy: [Advance Account](#) Form: [Sponsored Project Action Request](#)

TOPIC: AWARD MANAGEMENT (VERIFY & MONITOR)

The PI is responsible for verifying that the expenditures are in direct support of the goals and objectives as stated in the scope of work. However, the PI can delegate some of his/her signature authority to administrative staff.

NAU's [Delegation of Signature Authority Policy](#) states that a PI cannot delegate signature authority for:

- Budget Modifications
- Sponsor/Agency Required Reports
- Payroll and Effort Reporting

TOPIC: AWARD MANAGEMENT (VERIFY & MONITOR) (CONT'D)

Delegation of Signature Authority is for goods and services only.

- Delegates should have ***direct knowledge*** of the needs of the project.
- Delegates must follow the Federal Cost Principles.
- Delegates must be compliant with all applicable policies, procedures, rules and regulations.
- PI must maintain oversight to ensure that all expenditures on his/her award are allocable (clearly assignable to the award with relative benefits received).

[Delegation of Signature Authority form](#)

TOPIC: AWARD MANAGEMENT (VERIFY & MONITOR) (CONT'D)

OSP has oversight responsibilities on all sponsored projects to ensure compliance with the sponsors policy and generally accepted accounting principles by being part of the PeopleSoft workflow to:

- Review and approval of all purchases over \$10,000.
- Review and approval of all cost transfer journals.
- Review and approval of all HR and Payroll actions.
- Review and approval of all sub-recipients invoices.
- Review and approval of participant payments (paper & PS flow).
- Review and approval of check requests (paper flow).

TOPIC: AWARD MANAGEMENT (COST SHARE)

Cost Share occurs when a portion of the costs of a sponsored project are not paid by the sponsor but paid instead using resources within the institution or outside 3rd party. Types of cost share are:

- **Mandatory**: A required condition of an award or agreed to by the institution and sponsor during negotiations.
- **Voluntary Committed**: Not required by the sponsor, but proposed in the budget or narrative with no sponsor funding requested or awarded.

TOPIC: AWARD MANAGEMENT (COST SHARE) (CONT'D)

Forms of Cost Share:

- **Matching (CASH)**: Personnel and Non-personnel.
- **Third-party**: Cash, Volunteer service, Property/Equipment Use.
- **Unrecovered Indirect Costs (if sponsor allows)**: Calculated on matched costs, Difference between negotiated F&A rate and sponsor restricted rate.

All financial transactions for cost share MUST be documented!!!

[What is Cost Share and How to Manage It](#)

TOPIC: AWARD MANAGEMENT (EFFORT CERTIFICATION)

- Effort reporting is a Federal requirement for institutions that receive a combination of Federal and Non-Federal Funding.
- Failure to comply could have serious legal consequences for principal investigators and financial consequences for the University.
- NAU requires PI's to certify effort using the eEDR (electronic effort distributions reports) for all sponsored projects regardless of award and sponsor type.
- Certification of effort is done biannually (every 6 months, January – June & July - December).
- Notification is sent out to the PI's when a effort reporting period is open for certification. Fund Managers lead the process and assist the PI's.

TOPIC : AWARD CLOSE OUT

- Closing an sponsored project is a collective process with close communication among the PI/Department and OSP.
- The Financial Expense Report (FER) was created to enable this process to be streamlined, efficient and provide direction, resulting in a clean close out within the 90 day window of time allowed by most sponsors.
- Fund Managers send out the FER 90, 60 & 30 days prior to the end date of the sponsored project to provide financial information to the PI/Department for preliminary review of expenditures and available budget before the project end date.

TOPIC: AWARD CLOSE OUT (CONT'D)

The Financial Expense Report (FER) provides the PI/Department with financial information to determine:

- How long can personnel continued to be paid on the sponsored project.
- If the available budget is reasonable based on the progression of the sponsored project.
- If a no cost extension is warranted.
- Is spending reasonable within the proposed budget categories.
- If there is committed cost share, has it been properly documented and accounted.

OSP will coordinate reporting for Invention (IP), Inventory, etc., with the PI

TOPIC: AUDIT RED FLAGS

COST TRANSFERS

A cost transfer is an expense that is transferred from one award to another after the expense was initially recorded in the financial accounting system.

- To correct bookkeeping or clerical errors with the original charge.
- Departmental administrators are responsible for preparing and submitting the cost transfer (within 90 days of discovery) via a expense transfer journal (IDT) or a payroll transfer journal (IPT) within PeopleSoft with the knowledge and approval of the PI.

A more in-depth session is scheduled for October 10, 2019 on the topic titled "Cost Transfers: What are they? Why should I care?"

TOPIC: AUDIT RED FLAGS

COST TRANSFERS (CONT'D)

- In accordance with OMB Uniform Guidance (2 CFR 200), it is necessary to explain and justify transfers for charges onto federal funded sponsored projects.
- Timeliness and completeness of the explanation of the transfer are important factors in supporting allowability and allocability in accordance with federal guidelines.
- There are 4 questions that **MUST** be answered.

TOPIC: AUDIT RED FLAGS

COST TRANSFERS (CONT'D)

- 1) How did this error occur?
- 2) What is the benefit of moving this expense to the project?
- 3) What is being done to prevent this type of expense transfer in the future?
- 4) Why is the expense being moved so late (90 days or later from discovery)?

Policy: [Cost Transfers](#)

TOPIC: AUDIT RED FLAGS

BURN RATE

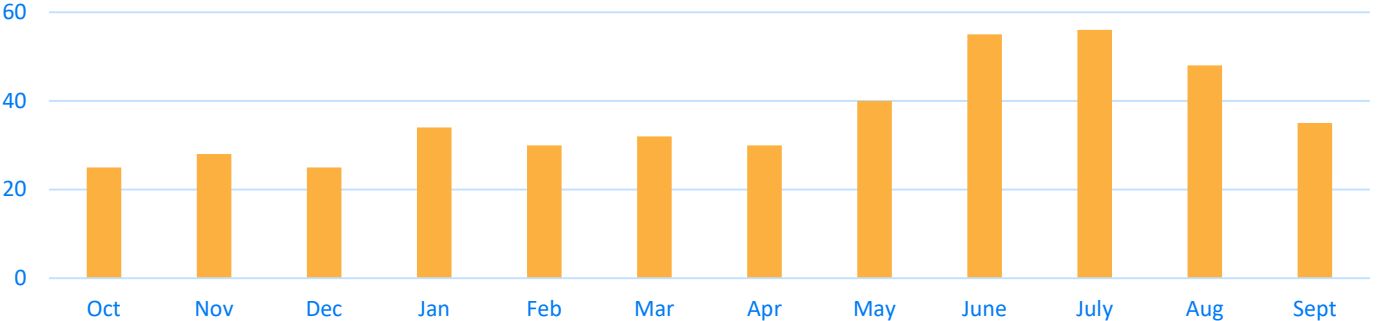
A ***Burn Rate*** is the rate at which spending is occurring on an award which measures the balance of progression of the research in alignment with the expenditures occurring.

- Example, if an award is 20% into its performance period and 60% of the funding has been spent, an auditor would likely investigate further.
- Similarly, a sharp increase in spending at the end of an award period will likely result in further investigation. Such as equipment purchases and/or cost transfers toward the end of the project (last year).
- Sponsors require OSP to submit financial reports, typically on a quarterly basis.

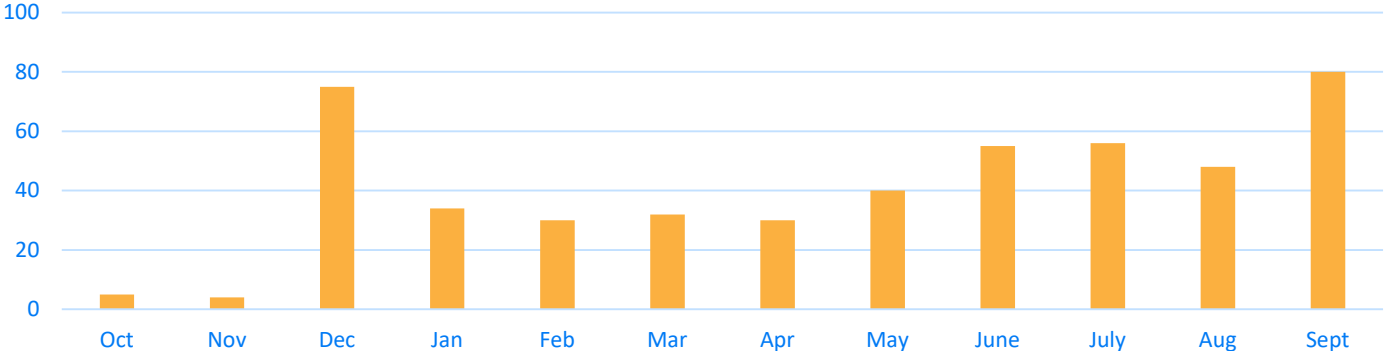
TOPIC: AUDIT RED FLAGS

BURN RATE (CONT'D)

**Normal
Burn Rate**



**Abnormal
Burn Rate**



TOPIC: AUDIT RED FLAGS

UNIVERSITY AUDITS

- **ASU**: 4/15/2019; NSF \$1.2 million, unapproved sub-award payments; inappropriately allocated expenses, unsupported expense, unallowable expense, unreasonable travel expense & inappropriately allocated indirect costs.
- **University of Washington**: 7/11/16; \$123K; unreasonable expenses charged near the award's expiration date.
- **University of Illinois Champaign**: 9/24/14; cost transfers made after the award ended.
- **University of California, Santa Barbara**: \$2.8 million in unfulfilled cost share; \$500K of inappropriate cost transfers (to spend out grant funds).

PRESENTATION CONCLUSION

Next Brown Bag Session:

- Oct. 10, 2019: Cost Transfers: What are they? Why should I care?
- Time: 12:00 to 1:30
- Place: ARD Large Pod

The session will discuss best practices to avoid cost transfers on sponsored projects. Covering the topics of:

- Proactive Measures
- Dealing with unavoidable cost transfers
- How cost transfers negatively effect sponsored awards and NAU

PRESENTATION CONCLUSION (CONT'D)

This presentation will be available on the [OSP Website](#) after September 15, 2019

A notification and link will be sent out to all attendees.

(OSP-RSVP@nau.edu for contact information)