

# GRANTS & CONTRACTS

The PI's Responsibilities

# PI RESPONSIBILITIES

- Ensuring that all activity incurred on his/her project is allowable, reasonable & allocable to the award according to the terms of the awarding agency
- Maintaining proper records as well as timely verification of all financial transactions, including personnel effort charged to his/her project.
- Ensuring sound fiscal management of his/her project including an alternate source to cover any unallowable charges or over expended project costs.

# ALLOWABLE COSTS

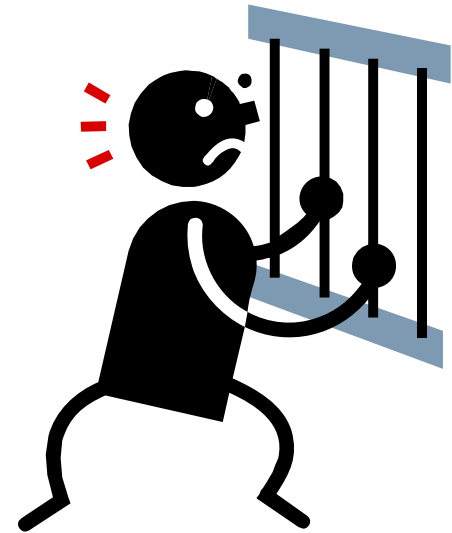
- The tests for allowability of costs are:
  - They must be reasonable.
  - They must be allocable to the project.
  - They must be given consistent treatment.

# QUESTION 1

- The department has overspent the approved budget on the grant. What should be done to correct the negative balance?
  - A. Prepare a cost transfer to move the expenses to another grant fund.
  - B. Raise the budget to meet expenses.
  - C. Pay the deficit from an unrestricted fund.
  - D. A and B are correct.

# ANSWER

- C is the correct answer!
- If you answered A,
  - Proceed directly to JAIL.



## QUESTION 2

- The department copy machine shows that 7000 copies have been made during the last month. The department needs to recover its expenses, but there is no record of who made the copies or for what project. To which fund should the cost then be charged?
  - A. The grant with the largest available balance.
  - B. Equally to each grant in the department.
  - C. Equally to each fund in the department.
  - D. None of the Above.

# ANSWER

- D is the correct answer.
- The expenses can not be charged to any grant without a reasonable record to support the charge. In the absence of adequate documentation, all costs must be charged to departmental funds.

# QUESTION 3

- A new employee in the department will be responsible for general office functions and needs a computer. To which source of funds should it be charged?
  - A. Charge the expense to the departmental fund.
  - B. Charge the expense to each fund in the department.
  - C. Charge the expense to the grant with an available balance.
  - D. None of the above.

# ANSWER

- A is the correct answer.
  - The computer is needed for an individual performing departmental administration duties, therefore, their supplies and small equipment needs must be charged to department funds.
  - If you answered C,

proceed directly to **JAIL.**



# QUESTION 4

- The department has an administrative assistant performing various functions on various grants and the department needs to charge the salary. Which expense allocations is the best choice?
  - A. Split and charge the salary to all the appropriate grants based on the individual's log of activities by grant for the month.
  - B. Charge the salary to one grant because it is easier to fill out the effort certifications form.
  - C. Charge the salary to the department fund since detailed monthly records do not exist to support any other form of allocation.
  - D. Charge the salary to the grant closest to terminating with an available balance.

# ANSWER

- Either **A** or **C** are the correct answers.
- Administrative and clerical support should be charged to federally funded grants only when there has been an approved budget component in the proposal and when the payroll distribution will be for a significant portion of the pay (generally defined as 25% or greater).

# QUESTION 5

- As the PI and Business Manager are reviewing the line item budget for the sponsored program, they recognize that they have more money in personnel than they will be able to spend in the budget period because they were not able to hire personnel timely enough. They also recognize that the expenditures for supplies are higher than they expected and they will not have enough money in the supplies line item budget. Another factor has occurred and the project will require the purchase of a high-powered microscope to ensure valid conclusions; however, no equipment was awarded in the grant. What should the PI and the Business Manager do?



# QUESTION 5 cont'd

- A. The PI and Business Manager should submit a payroll source change to adjust the effort of all personnel to 100% on this project for a three month period even though the actual effort is on 50%. The purchase of the microscope should be made with another grant that has an equipment line even though it will not be used on the alternate grant. When the grant runs out of money, we just use the State funds to cover the difference.
- B. Do nothing.
- C. The Business Manager should plan how to re-budget the funds and contact ORA to determine if any sponsor approvals or notifications are necessary.

# ANSWER

- C is the correct answer. Most granting agencies will allow a budget revision to the grant award.
- If you answered A, **Go To Jail**. The efforts of personnel must reflect the charges of the personnel. Charging the microscope to another grant that would not use the microscope would be considered an unallowable charge and is equal to **Fraud**. If the line budget is overspent for supplies and the grantor is strict on this line item, then the over-charge has to be paid from non-sponsored funds.



# Time & Effort

**How do I keep track of my time when my work day is split amongst many activities?**

When apportioning salaries, it is recognized that in an academic setting, teaching, research, service and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.

# Time & Effort

- **How do I determine the split of my salary for payroll?**
- In your proposal you stated the time and effort you were dedicating to this project. This is the promised effort you have stated to the sponsor and this is what should be reflected in the payroll system.
- Grants and Contracts Accounting will also send the department an email notice for the first year of the award which will remind the department of who they have identified to work on the project and at what percent of effort.

# Time & Effort

- **How do I account for fluctuations in my effort expended on a project?**
- Fluctuations of less than 5% require no change. Significant changes in the work activity must be identified and entered into the payroll system. Short-term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period. A change of 25% or greater is considered a change in scope and must be reported to the sponsor.

# Time & Effort

- **What does my signature mean when I sign the cost certification?**
- When the PI signs the cost certification, they are attesting that the time reported on the cost certification is a reasonably accurate reflection of the effort expended on the project by each employee listed on the cost certification.
- If the cost certification is not accurate, the corrections should be made immediately. The correction should be noted on the cost certification and a cost transfer submitted to GCA.
- The PI should not sign a cost certification that they know is not accurate. Knowingly signing a cost certification that is incorrect or does not have the corrections clearly identified is **FRAUD**.

# QUESTION 1

- A faculty member in the department is currently working on a sponsored project that has received funding at 50% effort and another that has yet to be funded at 50% effort. How should the department fund his salary?
  - A. Charge the funded grant 100% of the faculty member's salary since there is excess salary budget.
  - B. Charge the funded grant 100% of the faculty member's salary until the other project is funded and then prepare a cost transfer to move the 50% expended effort to the new award.
  - C. Prepare an ECAV for the anticipated award and move the 50% effort to the anticipated award.
  - D. Cover the 50% effort for the unfunded award from unrestricted funds.

# ANSWER

- **The correct answer is C. C saves GCA and your department time and assigns the costs to the award from the beginning.**
- Answer D is acceptable, but would require a cost transfer when the award was received.
- If you answered either A or B, proceed directly to JAIL. It is illegal to charge salaries to a grant if the person did not expend the time and effort on the grant



# QUESTION 2

- A principal investigator is running out of salary budget on her sponsored program. She still needs to use the Nurse Coordinator on her project, but will incur a deficit if she continues to carry her on the grant. The PI has another project that has plenty of funds left that could pay the nurses salary even though the nurse will provide no effort to the project. How should the PI cover the Nurse Coordinator's salary?
  - A. The PI should change the payroll source to an unrestricted fund.
  - B. The PI should move the Nurse Coordinator to the grant with remaining funds.
  - C. The PI should continue to pay the Nurse Coordinator on the grant since it is a true cost of the project.
  - D. The PI should request additional funds from the sponsoring agency to cover the salary of the Nurse Coordinator.
  - E. A, C and D are correct.

# ANSWER

- The correct answer is E.
  - The Nurse Coordinator can remain on the grant and later be covered with a deficit coverage from unrestricted funds or can be moved to an unrestricted source at the time it is identified that the award is short of funds.
- If you answered B, then once again proceed directly to **JAIL**.

# COST TRANSFERS

- A cost transfer is an after-the-fact reallocation of the cost associated with a transaction from one fund to another.
- Cost transfers should be performed on rare occasions as they indicate a lack of internal control over the project funds.
- Cost transfers at the end of an award are also indications that the department is trying to move funds to avoid deficits or spend down the award.

# COST TRANSFERS

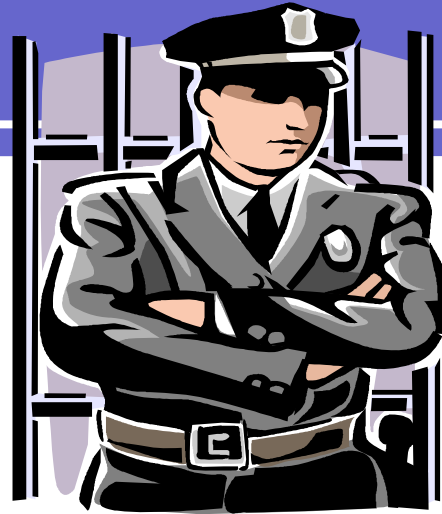
- Cost transfers beyond 90 days are highly discouraged and require a thorough explanation before being reviewed by the Assistant Controller to determine eligibility for processing.
- Cost transfers beyond 90 days are a red flag for auditors that there is a lack of internal controls over the project expenditures. University policy requires that all accounts be reconciled monthly and reviewed by the account sponsor. Any errors should be identified at a minimum at the time of reconciliation.



# QUESTION

- **During closeout the Accounting Specialist notices an invoice that was charged to the project is putting the award over budget. Another one of the department's sponsored projects still has funds available. How should the Accounting Specialist handle the charges?**
  - A. Leave the charge on the original award as it was a true cost of the project and cover the deficit from unrestricted funds.
  - B. Prepare a cost transfer and move the costs to another award that still has remaining funds.
  - C. Prepare a cost transfer and move the costs to the next year of the award.
  - D. Prepare a cost transfer and move the funds to an unrestricted source.

# ANSWER



- If you answered B,
  - please proceed to **JAIL**.
- Answers A and D are acceptable, but answer D causes more work for your Department and GCA.
- Answer C is acceptable only if the item benefits the new year of the award and occurred during the budget period of the new award.

# FINDINGS

- **The Front Page of the Newspaper Test**
  - “Contemplating any business act, an employee should ask himself whether he would be willing to see it immediately described by an informed and critical reporter on the front page of his local paper, there to be read by his spouse, children, and friends.”

Warren E. Buffett





**Remember the decisions you make on your awards effect the University as a whole and all faculty members seeking funds for research.**

# We don't want to be included in this list:

University Audit	Agency Audit	Finding
Boston.	HHS OIG	University Cost transfer policy not followed. <b>\$11,234 settlement.</b>
Univ. of Chicago	HHS OIG	Insufficient documentation of allocation of costs.
Univ. of Maryland	HHS OIG	Insufficient documentation of allocation of costs.
Univ. of Massachusetts	HHS OIG	Administrative costs unallowable.
UMMS	HHS OIG	Cost transfers not adequately explained and documented.
Univ. of Nevada-Reno	EPA OIG	Persons paid from the grant were not working on the grant.
Florida Intl	HHS OIG	Cost transfers after grant had closed. Reported in the <i>Chronicle of Higher Education</i> , February 15, 2005. <b>\$11.5 million settlement.</b>
Harvard.	DOJ	Billed for salaries and expenses unrelated to the grant. <b>\$2.4 million settlement.</b>
Northeastern Univ.	HHS OIG	Costs claimed for salaries were unsupported