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The Training Post

An Educational
Computer Based Training Program

Principal Investigator

Financial Oversight of Sponsored Projects

Good fiscal management results from a joint effort between the Principal Investigator, School Administrators, Finance and Office of Sponsored Projects.



**The University of Texas at Dallas
Compliance Training**

Purpose of Compliance Module

- Make Principal Investigators (PI's) aware of Federal policies governing sponsored projects.
- Provide PI's with tools and guidance in exercising contract or grant oversight.



Compliance Module Limitations

It is not possible to present materials that covers every situation, or every granting agency's particular set of regulations.

The material presented here is intended to aid the PI in managing sponsored programs.

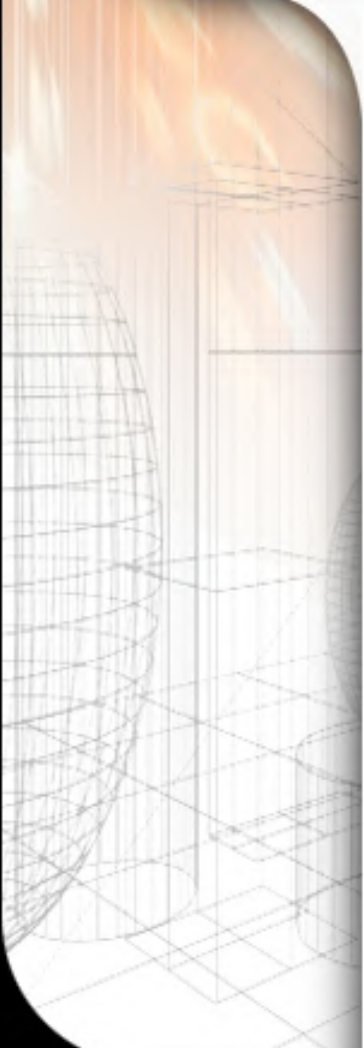
They have general applicability to most Federal research grants, and many other Federal and non-Federal awards.

For more details on information presented in this module please refer to the PI Resources web site:

<http://controller.utdallas.edu/grants/resources.html>

Compliance Outline



- Why the Principal Investigator?
 - Compliance Points
 - What every PI should know
 - What every PI should do
 - Key points
 - Potential Compliance Issues
 - Contact Information
 - External Resources
 - Test Your Knowledge
- 



Oversight - Why the PI ?

The PI has 1st hand knowledge of sponsor requirements, funding resources and work environment to:

- Correlate the application of costs and award related activities
- Judge if the application of costs is proper
- Know whether adequate resources exist for the performance and the completion of the required scope of work

Change of Scope

OMB Circular A-110, Subpart C.25 requires that any revision of the grant budget or program plans require prior approval from the sponsor.

Under no circumstances should funds be utilized for the purposes other than those covered in the grant scope of work.

In addition, written approval from the Sponsor's Contracting Office is required in situations that are subject to interpretation.

Change of Scope

Unless waived by the awarding agency, prior written approval is also required for any of the following:

- Change in the key person (PI).
- An absence for more than three months of the project director or the PI.
- A 25% reduction in time devoted to the project.
- Transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa.

Change of Scope (continued)

Unless waived by the awarding agency, prior written approval is also required for any of the following:

- Certain budget transfers.
- The inclusion of costs that require prior approval in accordance with OMB Circular A-21.
- Unless described in the application and award, the sub-award, transfer or contracting out of any work under the award.

Compliance Points

- Allowable/Unallowable Costs
- Misuse of Funds on a particular grant
- Allocation of Costs
(especially salary charges)
- Cost Transfers
- Accelerated Expenditures
- Unobligated Balances

What every PI should know

- Direct Costs
- Effort Certification
- Allowable/Unallowable costs
- Equipment Purchases
- Cost Transfers
- Travel Expenses
- Cost Sharing
- Roles & Responsibilities



What every PI should know

Direct Cost

- Cost must be related to the project charges.
 - Direct attribution (linkage between cost and purpose of the project) must be established and demonstrated through supporting documentation.
 - A readily identifiable causal-beneficial relationship must exist between costs and the project. Example: Test tubes were purchased for a wet lab experiment involving fluid analysis (providing the project involved a wet lab).
- Costs must be reasonable – the prudent person test.

What every PI should know

Direct Cost, continued

- Costs related to multiple programs must be allocated based on:
 - Proportional benefit, where possible.
 - Any reasonable basis, where necessary.
- Costs may NOT be assigned on fund availability, award expiration date or other inappropriate criteria.



What every PI should know

Time and Effort Certification

- Employee effort certifications are signed by the Principal Investigator.
- The PI certifies how time was actually spent, not how salary and wage costs were distributed although the two are generally related.
- For Federal grants, Federal approval is required for changes in effort of 25% or more of the budget.
- Refer to the PI Resources web site at:
<http://controller.utdallas.edu/grants/resources.html>
for more detailed information on the time and effort certification process.

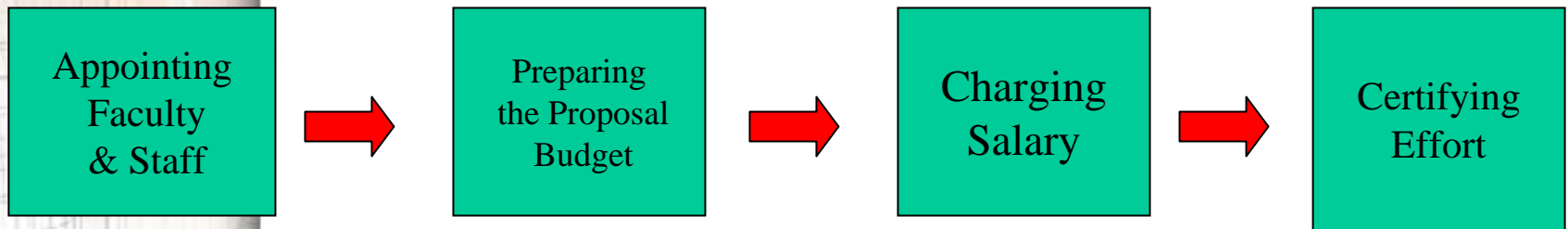
What every PI should know

Time and Effort Certification

Effort Reporting encompasses more than just certifying effort...

Pre-award

Post-award



Employment terms are established including number of Months (contract period), % full-time, salary base.

Effort is proposed, & commitment is made to the Sponsor.

Effort is charged, contemporaneously with activity.

Effort is attested to, after activity has occurred.

Time and Effort Certification is such an important strategic area that another module will be forthcoming on this subject.

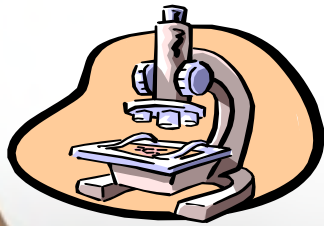
What every PI should know

Allowable / Unallowable Costs

- “Unallowable costs” is a Federal term denoting costs not reimbursable under Federal grants and cost reimbursable contracts.
- Federal regulations prohibit certain costs, most common being:
 - entertainment
 - alcoholic beverages
 - air/rail fare in excess of lowest available
 - general office supplies (in most cases)
 - clerical & administrative support (in most cases)
 - telephone line charges

*For more information on unallowable costs refer to the
PI Resources web site at:*

<http://controller.utdallas.edu/grants/resources.html>.



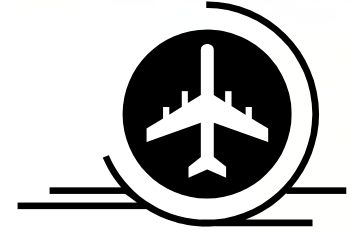
What every PI should know

Equipment Purchases

- UTD Definition of Capital Equipment: \$5,000 and useful life of 1+ years.
- Purchases during the last 60 days of terminal year may be problematic.
- UTD Property Management Department tags, tracks, and capitalizes equipment; Dispositions and moves must be reported to UTD Property Manager.

What every PI should know

Travel Expenses



- Must comply with University Travel Policy and Procedures.
www.utdallas.edu/utdgeneral/business/procure/eforms/TravelatUTD.doc
- Must comply with Fly America Act on Federally funded foreign travel.
<http://controller.utdallas.edu/grants/resources.html>
- Must be separately budgeted in the contract or grant account.

What every PI should know

Cost Transfers



- Used to correct, reassign, or redistribute costs between accounts
- Project funds are NOT interchangeable
- Should be the exception, not routine
- Must be done on a timely basis, (no later than 45 days after incurrence and before final financial report is filed)
- Large number of cost transfers might suggest lack of internal controls, especially at end of grant

What every PI should know

Cost Transfers, continued

- Transfers must be supported by documentation that contains a full explanation of how the error occurred and a certification of the correctness of the new charge.
- An explanation that merely states “to correct error” or “to transfer to correct project” is not sufficient.

What every PI should know

Cost Transfers, continued

“Any costs allocable to a particular research agreement...may not be shifted to other research agreements in order to meet deficiencies caused by overruns or other fund considerations...”

OMB Circular A-21, c.4.b

What every PI should know

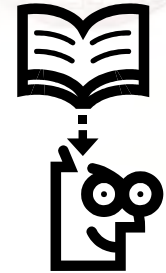
Cost Sharing

- Specific portion of project or program costs, which are not funded by the sponsor.
- Types of cost sharing:
 - Mandatory - Condition to receive contract or grant
 - Voluntary – Not mandated by sponsor
- Cost sharing can not be funded by another Federal grant.
- Cost sharing must be in compliance with UTD cost sharing policy.
- Unallowable costs can not be used as mandatory cost share.
- Mandatory Cost Sharing costs must be documented in a separately budgeted account.
- Please refer to UTD policy for more information:

<http://controller.utdallas.edu/grants/resources.html>

What every PI should know

Roles & Responsibilities



- PI should know the responsibilities of:
 - Principle Investigator
 - Office of Sponsored Projects
 - Contract & Grant Accounting

<http://controller.utdallas.edu/grants/workshop.html>
- Be sure to refer to PI Resources web page:
<http://controller.utdallas.edu/grants/resources.html>
and select “Contract & Grant Accounts Administration handbook” for more detailed information on roles and responsibilities.

What every PI should do

- Monthly Reconciliation of Accounting Reports
- Review and Approve Effort Certification Reports
- Sponsor Reporting
- Compliance Check



What every PI should do

Monthly Reconciliation of Accounting Reports

- Reconcile monthly financial reports to ensure that allowable expenditures are charged to the appropriate Sponsored Program.
- Review and analyze monthly financial reports to aid in making personnel and other related decisions regarding the fulfillment of the requirements on the sponsored project.

What every PI should do

Review and Approve Effort Certification Reports

- Review Effort Certification Reports on a quarterly basis to ensure that salaries and wages charged to sponsored programs fairly reflect the effort expended on these programs.
- Your signature conveys personal and institutional obligations and should not be taken lightly. Your signature attests that the effort reported is true and accurate.

What every PI should do

Review and Approve Effort Certification Reports

- If information provided on the reports is correct, sign the Effort Certification Reports and forward to your designated school Effort Report Coordinator.
- If salary or wage information provided on the reports is incorrect, make the necessary adjustments on the effort report, sign and return the report.
- If corrections affect salary or wage amounts, have Human Resource forms initiated to make Payroll corrections.

What every PI should do

Sponsor Reporting

- Prepare Technical Status Report
- Prepare Progress Report
- Prepare Invention Statements
- Inventory and Document Project Related Equipment

What every PI should do



Compliance Check

- Have I lived up to my fiscal stewardship responsibilities through diligent oversight of my sponsored project?
- How would this transaction be perceived if it were reported in the newspaper?

Key Points

- Grant expenditures should be charged directly to the grant, never be “parked” in another account. This practice distorts the true grant expenditures reported to the sponsor.
- If spending needs to begin before the award is granted, charges should go to a pre-award account, never to a departmental or gift account.
- As a general rule we request reimbursement from the sponsor based upon expenditures. If the expenditure is not in the grant account, it will not be billed or reimbursed. This has a negative effect on UTD cash.
- Insure that costs are reflective of the work performed on the project.

Potential Compliance Issues

- Unauthorized or inappropriate charges
- Unallowable costs
- Overruns or large unexpended balances
- Assignment of costs based on fund availability or project expiration
- Cost Transfers (frequent, delinquent, poorly documented, etc.).
- Equipment purchases near end of project

Non-Compliance-What's at Risk?

- Withholding of future awards
- Audit findings/cost disallowances
- Criminal/civil/administrative penalties
- Loss of administrative flexibility (exceptional status)
 - Example: Quarterly audits may be required, must get Sponsor approval for everything.
- Risk of extrapolation of audit finding to all Federally Sponsored Awards

Non-compliance Consequences



- University of Minnesota
Misuse federal grants
\$2.5-32M
- University of Michigan
Chief Urologist charged with Conflict of Interest
\$100,000 penalty
1 year probation
- Duke University Shut Down on Projects Utilizing
Human Subjects
- Northwestern University
Effort Reporting
\$5.5M
- University of Wisconsin
Fraudulent Application
PI Jail Time

- *Stoppage of Research work*
- *Damage to Reputation*
- *Financial Penalties*
- *Disallowed Costs*

Non-compliance Consequences

- New York University Medical Center Inflated research grant costs
\$15.5M
- Stanford University
Inflated research overhead costs
\$1.2M
- Miscellaneous Scientific Misconduct Johns Hopkins, Harvard, Yale
- University of Chicago
Research fraud and abuse
\$650,000
- University of Connecticut
Training Grant Issues
\$1.3M
- Medical College of Georgia
Theft of Research Funds
\$10M, PIs Jail Time



Examples of Adverse Publicity

THE CHRONICLE OF HIGHER EDUCATION
August 16, 2002
Blind Trust

THE NEWS & OBSERVER
August 13, 2002
Duke center under investigation

August 25, 2002
Faculty star's scandal

The New York Times
nytimes.com

August 21, 2002
Duke Repays \$700,000 in Grant Money
and Reports a Swindle

THE CHRONICLE *online*
THE INDEPENDENT DAILY AT DUKE UNIVERSITY
Aug 23, 2002
Duke's missing money

Aug 22, 2002
Duke to repay grant funding



August 13, 2002
\$682,000 Missing From Duke Grant Fund

Contact Information

If you are not sure about the applicability of a particular provision to your project, check with your departmental administrator, Office of Sponsored Projects, or the Contract & Grant Accounting Section of the Office of Finance.

Mary Carter

Contract & Grant Accounting Supervisor
972-883-2173

Wanda Mizutowicz, CPA

Associate Vice President for Finance and Controller
972-883-2603

Useful Links

Office of Finance (PI Resources) website

<http://controller.utdallas.edu/grants/resources.html>

Office of Sponsored Projects

<http://www.utdallas.edu/research/sp/>

Office of Management and Budget Circulars

<http://controller.utdallas.edu/grants/circulars.html>

Test Your Knowledge



Following are several questions to test your knowledge of the information presented.

Answer all questions correctly to receive credit for the training.

Question 1

The main responsibility for the financial oversight of a contract or grant rests with:

Principal Investigator.

Office of Sponsored Projects.

Contract & Grant Accounting.

Administrative Assistant.

All of the above.

SORRY TRY AGAIN

REVIEW

Question 2

For costs to be charged to a Federal Contract or Grant Account, they must be:

Related to the project

Reasonable

Both of the above

SORRY TRY AGAIN

REVIEW

Question 3

By signing the effort certification report the Principal Investigator certifies that:

The listed employees were paid from the indicated accounts.

How time was actually spent, not how salary and wage costs were distributed

SORRY TRY AGAIN

REVIEW

Question 4

Cost transfers

Are used to correct, reassign, or redistribute costs between accounts.

Are an exception, not a routine.

Must be done on a timely basis.

Must be justified & documented.

All of the above.

SORRY TRY AGAIN

REVIEW



Thank you for completing the questions related to Principal Investigator: Financial Oversight of Sponsored Projects.

Click on the button below to complete this module and receive credit for this course.

[Click Here to Receive Credit for This Course](#)



Congratulations!!!

You have successfully completed the
Principal Investigator: Financial
Oversight of Sponsored Projects.

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