



Compliance Review For Project Administrators

Carlos M Rodríguez Rivera - Director
Office for Research Compliance & Integrity
University of Puerto Rico

Rules



Phone calls should be answered outside. Texts are OK.



Questions related to a topic may be asked anytime.



Specific questions related to a particular situation may be raised individually at the end of the presentation.



Training materials will be made available to you,

Objectives for today

- Understand the scope of this presentation
- Understand the requirements and nuisances involved in maintaining compliance throughout a grant cycle
- Outline the goals, best practices and common pitfalls in maintaining compliance
- Be better prepared to administer a grant effectively

Scope

- The topics for today will be limited to **administrative requirements only**
- Programmatic or regulatory compliance is topic for another training

What is compliance?

Webster:

“the act or process of complying to a desire, demand, proposal, or regimen or to coercion.”

Compliance Requirements...

Why?

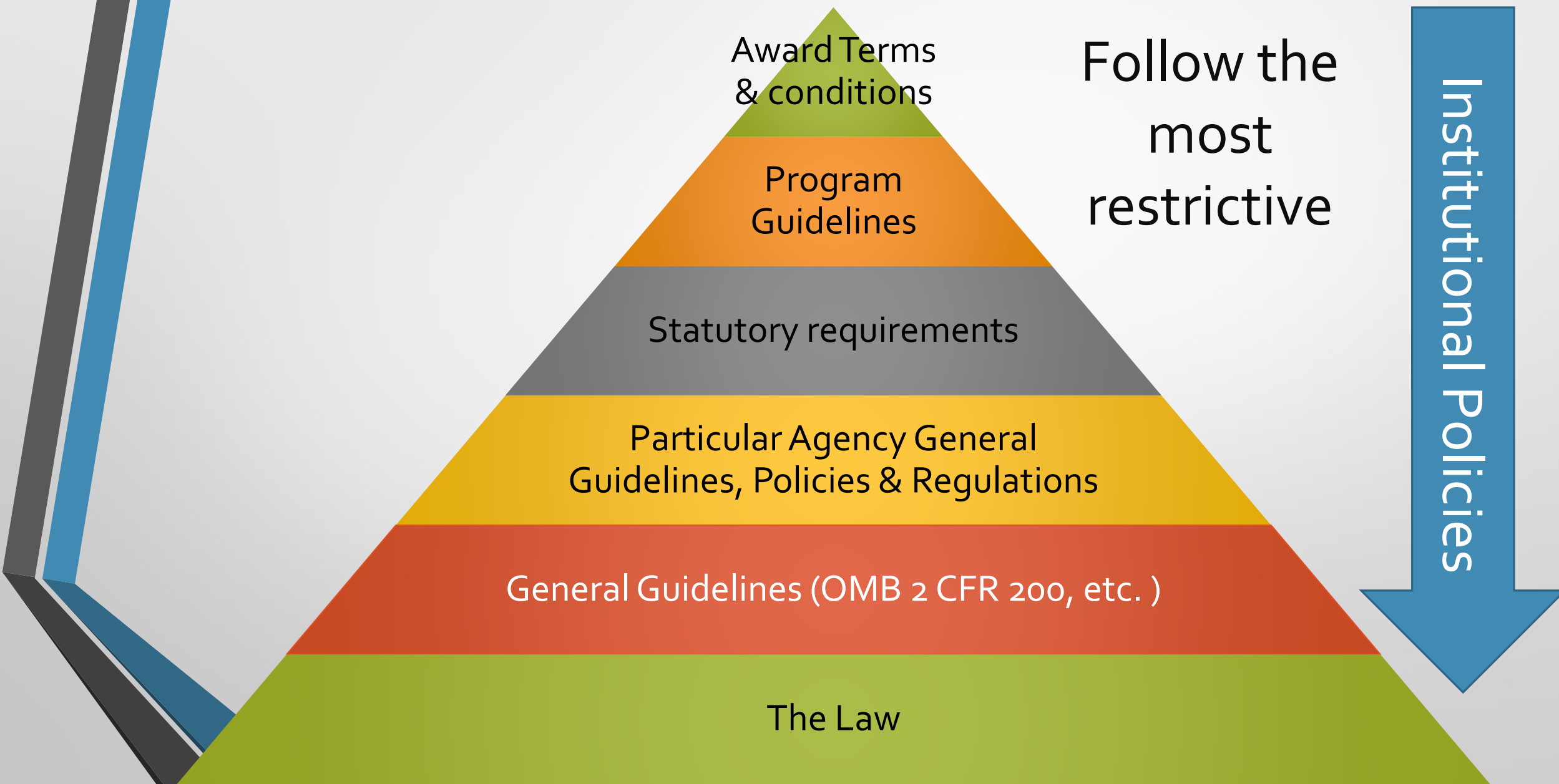
Grantor Perspective

- Stewardship of funds
- Minimize risks
- Eliminate misuse
- Maximize tax dollars
- Ensure progress

Grantee Perspective

- Improve chances for future funding cycle
- Focus on objectives
- Efficiency
- Ethics

Which Requirements?



Grant Cycle



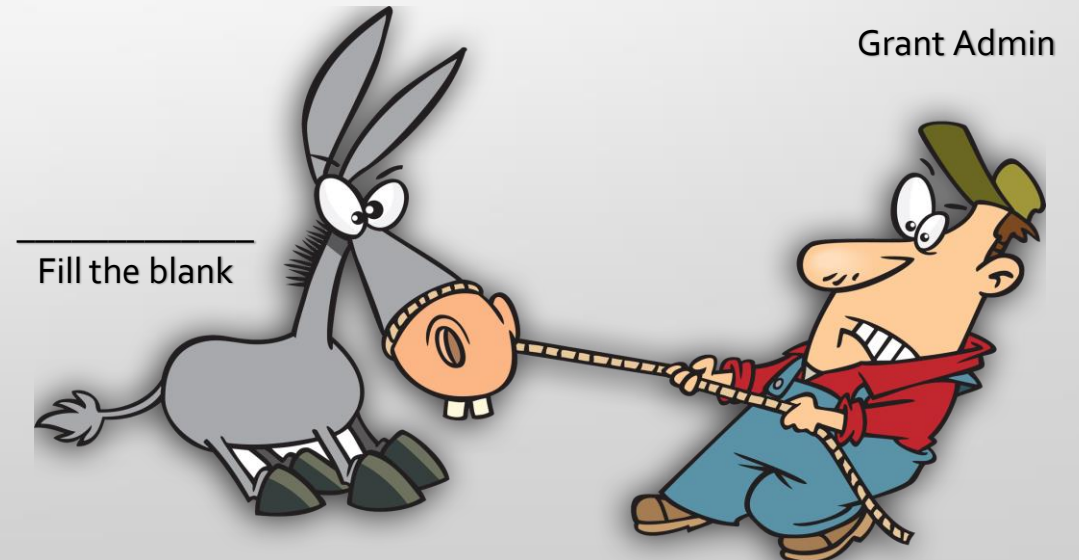
Grant Administrators

What you should be:

- Facilitator
- Liaison between project and Institutional Offices
- Steward of projects
- Coordinator
- Counterweight

What you should not be:

- Project PI
- Accountant
- Bypass Mechanism
- Scapegoat



Who is responsible?

At the Institution

- PI (by extension Grant Admins)
- Authorized Organizational Representative
- Institutional Officials

At the Agency

- Grants Management Officer / Specialist
- Program Officer
- Scientific Reviewer

Ground Rules

- You must comply with all **Federal and Institutional** policies, guidelines and regulations.
- Read the NOA and be aware of the **award terms & conditions**
- Institutional policies might be more restrictive. Be aware.
- Grants are awarded to the **Institution**
- By drawing funds you agree to comply with **all** applicable regulations

Grant Admin's best practices to guarantee compliance

- Establish **written** roles & responsibilities within your projects and agree on a management plan with your PI's.
- Tie your admin plan to your PI's project execution plan.
- Foster kickoff meetings to discuss what actions are required to accomplish project objectives and establish who, when and how those actions should be performed.

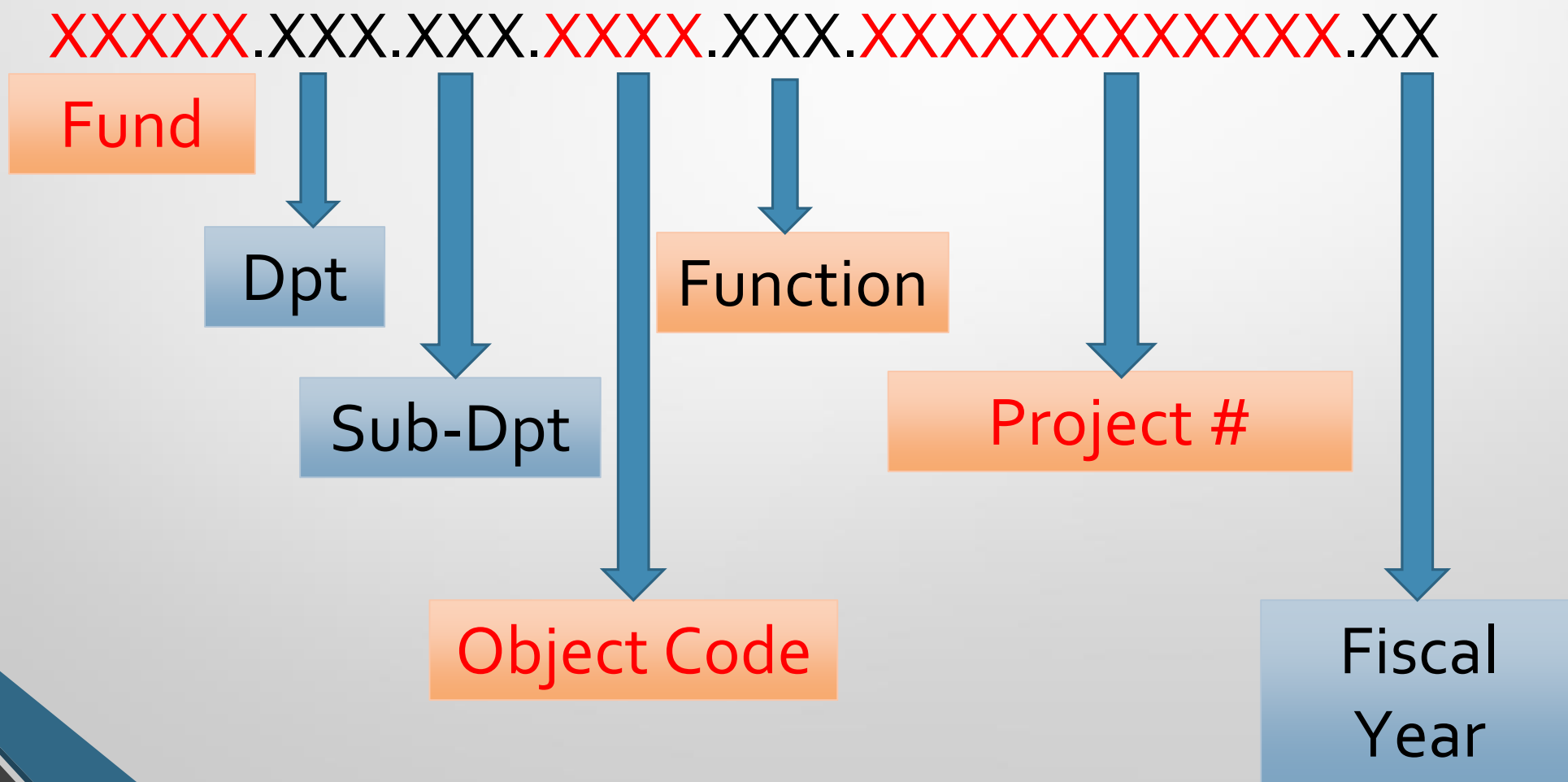
Grant Admin's best practices to guarantee compliance (cont.)

- **COMMUNICATE.** Encourage regular meetings with project staff and institutional officials. Follow-up and escalate issues as appropriate.
- **DOCUMENT!!!** In Writing!!!
- **REVIEW.** Make sure your award file is complete on a regular basis.
- Train your people

It's about the money... So, you should understand the language.

- Familiarize with the policies, procedures and challenges at the different stages of the accounting and administration process.
- Make sure you understand the project's budget and how it is tied with the project's objectives.
- Understand your institution's documentation.
- Understand the Chart of Account.

Account Structure



Account Structure - Fund

Fund– Establishes financing source (five numeric characters)

- First 2 characters identify the institutional Unit.
- Remaining 3 characters identify the source.
- ie. 10231
 - 10 – Central Administration
 - **231 – Direct Federal Project / Collaborative agreements**

Account Structure – Object Code

- Established by 4 numeric characters that identify assets, liabilities, fund balances, income or expenses.
 - 6000 – 6057 Materials
 - 6080 – 6083 Parts for equipment repairs
 - 6100 – 6122 Maintenance costs
 - 7000 – 7499 Equipment
 - 7600 – 7699 Capital Equipment

Account Structure – Project

- **Project Number** – 12 alphanumeric characters (in federal accounts: only numeric characters).
 - 1,2 – Unit
 - **3,4,5 – Agency**
 - 6,7,8,9,10 – Project identifier
 - 11,12 – Budget year

2 CFR 200:

Uniform administrative requirements, cost principles, and audit requirements for federal awards

- Subpart A—Acronyms and Definitions
- Subpart B—General Provisions
- Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards
- Subpart D—Post Federal Award Requirements
- **Subpart E—Cost Principles**
- Subpart F—Audit Requirements

Basic Concepts

Required to understand cost principles

- Reasonableness
- Allocability
- Conformance
- Direct Cost
- Indirect Cost
- Allowability



MUST = REQUIRED

SHOULD = Best practice or recommended

Reasonableness

§200.404 - Reasonable costs

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a **prudent** person under the circumstances prevailing at the time the decision was made to incur the cost.

- **Ordinary and necessary** for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.

Reasonableness (cont)

- **Requirements**
 - sound business practices
 - arm's-length bargaining
 - Follow federal, state, local, tribal, and other laws and regulations
 - Follow terms and conditions of the Federal award
 - Market prices for comparable goods or services for the **geographic area**
 - Prudence
 - Evaluate deviations from established practices and policies

Allocability

§200.405 Allocable costs.

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or **assignable** to that Federal award or cost objective in **accordance with relative benefits** received.



Allocability (cont)

Tests for allocability:

- Is **incurred specifically** for the Federal award
- Cost benefits both sponsored agreement & other work in proportions that can be approximated by reasonable methods
- Is **necessary** to the overall operation of institution and is deemed to be assignable in part to sponsored projects
- **No shifting of costs** from one fund to another to cover cost overruns, avoid restrictions on agreement or for reasons of convenience

Conformance

Test for allowability-conformance deals with limitations and exclusions as contained in the **terms and conditions of award**, including those in the cost principles **varies** by the type of activity, **the type of recipient**, and other characteristics of individual awards.



Direct

§200.413 Direct costs.

- Can be **identified specifically with a particular final cost objective**, such as a Federal award, or other internally or externally funded activity, or that
- Can be directly assigned to such activities relatively easily with a **high degree of accuracy**



Indirect (F&A)

§200.56 Indirect (F&A) costs

- Indirect (F&A) costs means those costs incurred for a **common or joint purpose benefiting more than one cost objective,**
- **Not readily assignable** to the cost objectives specifically benefitted,
- Indirect (F&A) cost pools **must be distributed to benefitted cost objectives** on bases that will produce an **equitable result** in consideration of relative benefits derived.

Direct or Indirect (F&A)

§200.412 Classification of costs.

- There is no universal rule for classifying certain costs as either direct or indirect (F&A)
- A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective.

Direct or Indirect (F&A)(Cont.)

- Item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A)
- Context is important

Direct or Indirect Costs

Direct	Indirect
Materials and Supplies: Scientific Materials or materials directly related with project objectives.	Office Materials: Paper, pens, toner, chairs, other.
Equipment: Equipment for scientific or specialized use with an acquisition cost over \$5,000 and a useful life above 1 year.	Equipment: Office general equipment like Xerox machines, etc.
Computing Devices: When essential and allocable to the execution of a project.	Computing Devices: Desktop Computers, printers, external drives, scanners, laptops, etc.
Facilities: Rent to third parties of spaces classified as off-campus dedicated exclusively to a project. (note this will force an off-campus indirect rate).	Facilities: Utilities, buildings, maintenance, renovations, etc.

Direct / Indirect Decision Tree

Does the cost result in a direct benefit to the grant?

YES

Can it be easily and accurately traced to the grant?

YES

Does it benefit more than 1 grant?

YES

Is it normally charged as indirect?

NO

Have you calculated proportional benefit?

YES

DIRECT

NO

NO

NO

YES

NO

Is it necessary to the overall operation of the organization?

YES

Indirect

DIRECT

Indirect

Calculate proportional benefit

NO

Rethink whether the cost is allowable



Allowability

200.403 Factors affecting allowability of costs. Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- **Necessary, Reasonable and Allocable**
- **Be consistent** with policies and procedures that apply uniformly to **both federally-financed and other activities** of the non-Federal entity
- Conform to any limitations or exclusions
- Consistent treatment between **direct and indirect costs**
- GAAP (except governments)
- Cannot be used as cost share
- Be **adequately documented**

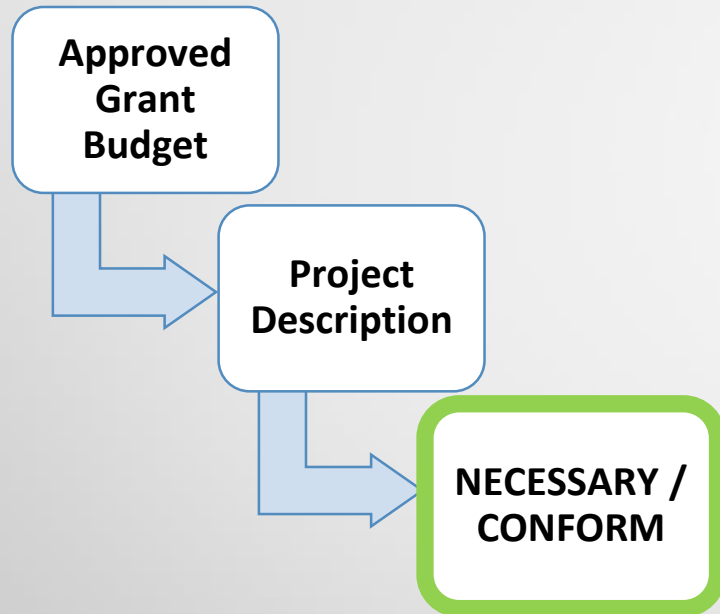
Allowability direct vs indirect

§200.403 Factors affecting allowability of costs.

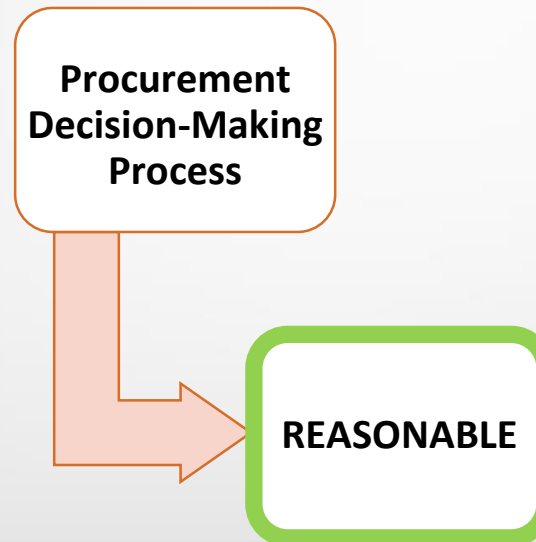
"(d) A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost."

Determining Allowability

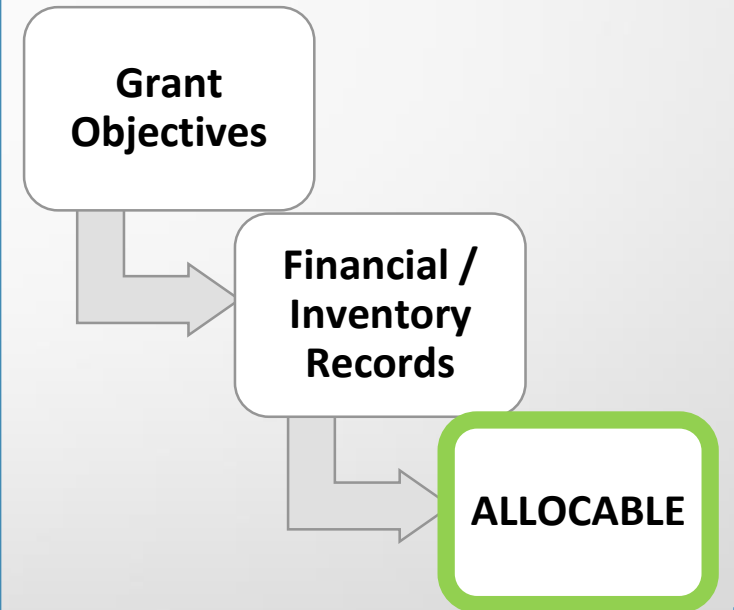
If equipment A is listed on:



If equipment A has gone through the:



If equipment A has links to the grant Project in the:



If equipment A is: **NECESSARY, REASONABLE, ALLOCABLE**
and **CONFORMS** grant term & condition then it is:

ALLOWABLE

All conditions for allowability must be met.

- A cost allocable to an award is not necessarily reasonable

Example: Buy a sport car to transport food

- A reasonable cost may not be allocable to an award

Example: The purchase of a Xerox machine

- A cost may be reasonable and allocable but does not conform to award terms and conditions or defined as unallowed in the regulation

Example: Lobbying costs

- 
- Oh, but is budgeted, therefore allowed!**
 - Well... it doesn't matter.**

Agencies' stance on allowability

- NIH Grants Policy Statement:
“The fact that a proposed cost **is awarded as requested** by an applicant **does not indicate a determination of allowability.**”
https://grants.nih.gov/grants/policy/nihgps/HTML5/section_7/7.2_the_cost_principles.htm
- NSF Award and Administration Guide:
It is the **grantee organization that is ultimately** responsible for ensuring that all costs charged to NSF awards meet the requirements of the cost principles contained in 2 CFR § 200, Subpart E, grant terms and conditions, and any other specific requirements... http://www.nsf.gov/pubs/policydocs/pappguide/nsf16001/aag_5.jsp

Cost Principles Applicability

- The applicable costs principles for an organization are determined by the type of the organization
- Sub-recipients do not grandfather cost principles applicability

Example:

A for-profit institution entered in an award as a sub-awardee with an Institution of Higher Education. Although the prime awardee is governed by the 2 CFR 200 the for-profit institution has to comply with 48 CFR 31.2.

Cost Principles Applicability

Type of Organization	Applicable Cost Principles Regulation
College or University	2 CFR 200
State, Local, or Indian Tribal Government	
Nonprofit Organization	

Cost Principles Applicability

Type of Organization	Applicable Cost Principles Regulation
Profitmaking Organization	48 CFR 31.2
Hospital	Cost principles used by awarding agency, usually 45 CFR 75, Appendix IX

Selected Items of Costs (§200.420-§200.475)

- Establishes the allowability of specific cost items.
- Establishes guides on the allocation of costs (direct vs indirect)
- If a cost is not found on this list, it does not mean that is allowable or unallowable. Judgement should be exerted using similar or related items of cost
- In case of a discrepancy between the provisions of a specific Federal award and the provisions in the items of costs, **the Federal award governs (hint: more restrictive prevails)**

Selected Items of Costs - Compensation for Personal Services (§200.430)

- All remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, **including but not necessarily limited to wages and salaries**
- **Consistently applied** to both Federal and non-Federal activities
- Reasonableness - **Consistent with that paid for similar work** in other activities of the non-Federal entity
- The non-Federal entity establishes a **consistent written definition of work covered by IBS**

Selected Items of Costs - Compensation for Personal Services (§200.430)

- **Salary basis**
- Charges to Federal awards for salaries and wages **must be based on records** that accurately reflect the work performed.
- The total salaries charged to Federal awards including extra service pay are **subject to the Standards of Documentation**
- Charges for work performed on Federal awards by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for part-time assignments.

Selected Items of Costs - Compensation for Personal Services (§200.430)

Example:

Item of Cost - Overtime pay for counselors who work with refugees to help locate housing, relatives, and other assistance after a severe earthquake

Allowability	Allowable
Direct / Indirect	Direct
Citation in 2 CFR 200	200.430(a)

Selected Items of Costs - Entertainment

(§200.438)

- Cost of entertainment, including amusement, diversion, and social activities and any associated costs are **UNALLOWABLE**
- Otherwise where:
 - Specific costs that might be considered entertainment have a programmatic purpose
 - Authorized either in the approved budget or prior approval



Selected Items of Costs - Entertainment

(§200.438)

Example:

Item of Cost - Expenses for an organization-wide picnic

Allowability

Unallowable

Direct / Indirect

N/A

Citation in 2 CFR 200

200.438

Selected Items of Costs - Materials & Supplies (§200.453)

- Cost for materials, supplies, computing devices and **fabricated parts** necessary to carry out a Federal award are ALLOWABLE
- Must be **charged at their actual prices**, net applicable credits.
- Incoming **transportation charges** are a proper part of materials and supplies costs
- **Charged as direct cost**



Selected Items of Costs - Materials & Supplies (§200.453)

Example:

Item of Cost - Costs of paper examination gowns for a mobile clinic serving migrant worker populations

Allowability

Allowable

Direct / Indirect

Direct

Citation in 2 CFR 200

200.453

Selected Items of Costs - Travel (§200.474)

- Charges **consistent** with your organizational reimbursement policy
- **Normally allowed** in your organization for non-federal funded activities
- Lodging and subsistence is allowed
- Commercial air travel is allowed - least expensive unrestricted accommodation class offered by commercial airline

Selected Items of Costs - Travel (§200.474)

Example:

Item of Cost - First Class air fare for a PI with a broken leg

Allowability

Allowable

Direct / Indirect

Direct

Citation in 2 CFR 200

200.474.e.(v)

Purchases: Uniform Guidance Procurement Claw

Sealed Bids

- Over \$150,000.00
- Price is the most important factor

Competitive Proposal

- Over \$150,000.00
- **RFP** with evaluation methods

Small Purchases

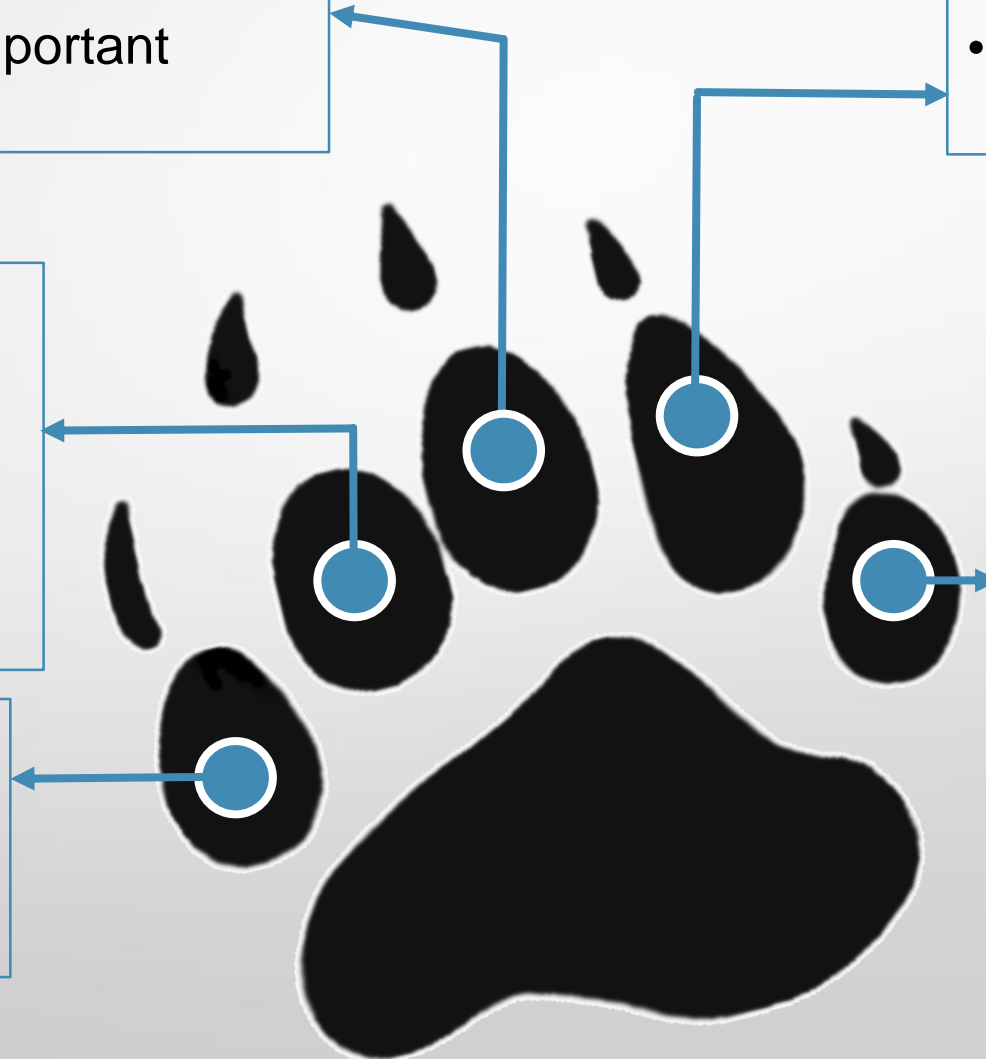
- Up to \$150,000.00
- Reasonable # of quotes
- UPR - \$50,000 (\$150,000)

Micro Purchase

- Up to \$3,500.00
- No Quotes
- UPR – \$3,000

Sole source

- Emergency
- No competition
- Justify



Purchases: Applicable Institutional Policies

- Certificación 30 2008-2009 (DRAFT)
 - Art. 15.A.2 - En compras donde el precio sea igual o mayor de tres mil dólares (\$3,000) por transacción, pero menor de ciento cincuenta mil dólares (\$150,000) en total, se solicitarán no menos de tres (3) cotizaciones por escrito (ya sea en original, facsímile, correo electrónico, por internet u otro medio adecuado para este propósito).

Purchases: Applicable Institutional Policies

- **Circular 14-18** (Ammended), June 18th, 2014 – Equipment Capitalization threshold change
- **Circular 14-19**, June 25th, 2014 – Object Codes to account for Circular 14-18
- **Circular 15-01**, July 7th, 2014 – Object Codes for shipment and installation of Capital Equipments

Purchases: Applicable Institutional Policies

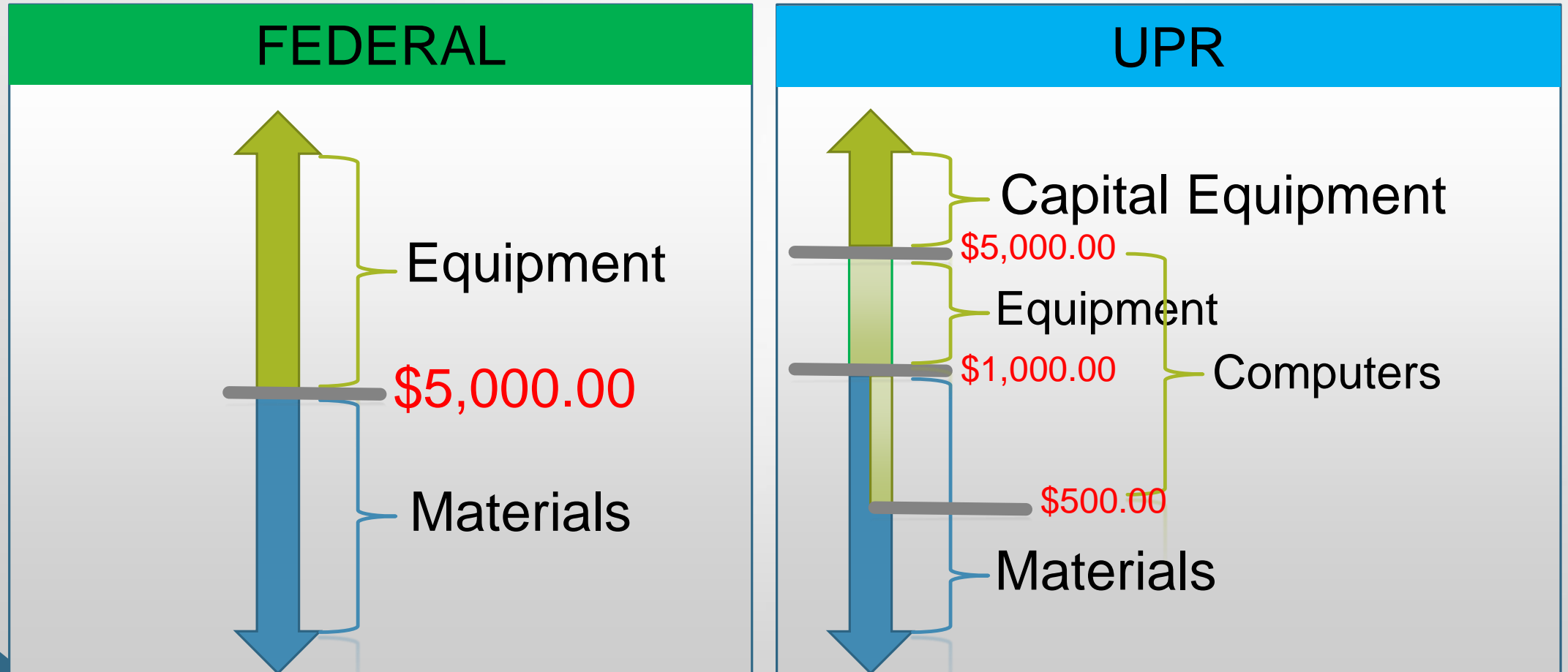
Credit Cards

- **Circular de Finanzas 15-25** – Procedimiento uso de tarjeta de crédito
- **Circular de Finanzas 16-02** (Ammended) – Increase the monthly limit from \$3,000 to \$20,000 to PI's with grants budgets above \$1,000,000.

Purchases: Applicable Institutional Policies

- **Circular ORCI 17-02** – Periodos Límites de Adquisiciones Cargadas a Proyectos Federales
 - Internal control measures included in this circular are applicable only to final project closeout.
 - 90 days before the period of performance end, purchases will not be allowed unless:
 - Approved no-cost extension
 - Capital Equipment - Sponsored Agency prior approval
 - Materials and non-capital equipment – Justification letter

Purchases: Equipment vs Materials



Purchases: What is your role as Grant Admin

- Coordinate the purchases with enough time as to not affect project execution. Establish a purchasing plan.
- Document decision making process.
- Facilitate quotes and specifications. However, remember that is the responsibility of the purchasing officer to complete the process, which may include the request of additional quotes independently or to request additional information from the PI/Grant Admin.
- Notify the delivery of goods to the corresponding officer.
- Keep a project inventory of goods.
- Follow-up

An approved budget is not a “Carte blanche”

- When making spending decisions:
 - Analyze the context of the expense. A cost deemed allowable at budget preparation might change at the time of the expense.
 - Make sure you do test for allowability at the time of the expense (necessary, reasonable, allocable).
 - Evaluate less expensive alternatives as market conditions change.
 - Document!

Cost Justification Documentation

Whenever the allowability is not clear, you should do the following before taking the decision and keep documentation for each case:

- Document the **rationale for your decision**. Describe your process on how you concluded a cost is allowable. If you are not able to write this concisely and logically, probably you should not go forward with the cost.
- Evidence **prior approvals**.
- Make sure the **regulations and/or terms & conditions** do not contradict your decision.

Research and document existing cases (**internal and external**)

Prior Approvals

- Although, some actions are allowable under 2CFR200, some of them require prior approval or allow agencies to opt-out on prior approval requirements .
- Federal Demonstration Partnership Prior Approval Matrix provides an overview of different actions along their prior approval requirements:
- https://www.nsf.gov/bfa/dias/policy/fedrtc/appendix_a.pdf
- Example:

Item	Reference	RTC Overlay	NSF	DOE	NIH
Transfer amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa.	200.308(d)(4)	Waived	Waived	Waived	Waived – Unless it changes scope

Cost Share or Matching

200.336 - Cost sharing or Matching:

- Verifiable in the institution's records (separate account)
- Not included in any other project
- Necessary and reasonable to accomplish Objectives
- Allowable
- Approved by the Agency

Cost Share or Matching

Caveats

- Once the NOA is received, the Institution agrees to the dollar amount established in it, not the proportion between federal and cost shared dollars.
- Cost shared dollars are to be treated as federal dollars. All federal regulations are applicable.
- Cost Shared expenses also generate indirect (F&A) costs which may be included in the cost sharing.
- Unrecovered indirect costs may be cost shared with agency prior approval.

Subrecipient Risk Monitoring

SUBRECIPIENT 200.330(a)	CONTRACTOR / VENDOR
Determines who is eligible to participate in a federal program	Provides the goods and services within normal business operations
Has its performance measured against whether the objectives of the federal program are met	Provides similar goods and services to many different purchasers
Is responsible for programmatic decision making	Operates in a competitive environment
Is responsible for complying with federal program requirements	Provides goods or services that are ancillary to the operation of the federal program
Uses the federal funds to carry out a program	Is not subject to the compliance requirements of the federal program as a result of the agreement

Subrecipient Risk Monitoring Background

- Regarding risk monitoring of subawards, the 2 CFR 200, section 200.331 (6)(b) indicates the following need: “Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraph (e) of this section, which may include consideration of such factors as...”



Subrecipient Risk Monitoring Background

- 200.331(6)(e), “Depending upon the pass-through entity’s assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals... “.
 - Providing subrecipients with training and technical assistance
 - Performing on-site reviews

Subrecipient Risk Monitoring Background

- 200.331(h), Pass-through entities must consider taking enforcement action based on noncompliance, including:
 - Temporarily withholding cash payments pending correction
 - Disallowing all or part of the cost
 - Wholly or partly suspending the award
 - Recommending suspension/debarment to federal awarding agency
 - Withholding further federal awards
 - Other remedies that may be legally available

Sub-Recipient monitoring

- Finance Office circular 16-17
 - <http://www.upr.edu/wp-content/uploads/2017/04/Finance-Circular-16-07-Intecampus-Sub-Award-AMENDED.pdf>
 - Approved in september 28, 2015, amended on june 30, 2016.
 - Differentiates the **contract requirements of grants agreements between UPR** units from grants agreements with external entities.
 - Defines the **accounting for grant agreements between UPR units**.
 - Establishes the “**Intercampus Subaward Agreement**” as the **official UPR document** to be used to formalized grants agreements between UPR units.

Subrecipient Monitoring Guide

- Serial ORCI-2016-01- University Of Puerto Rico Risk Management Procedures For Federal Grants Subawards (July 2016)
http://www.upr.edu/wp-content/uploads/2017/04/SERIAL-ORCI-2016-01-UNIVERSITY-OF-PUERTO-RICO-RISK-MANAGEMENT-PROCEDURES-FOR-FEDERAL-GRANTS-SUBAWARDS-JUL_18_2016-1.pdf
- Designed for subawards that are subject to federal and/or agency-specific regulations established by the federal prime sponsor.
- Monitoring procedures should be determined by the PI and administrators based on the nature of the grant and the perceived risk associated with the subrecipient.

Subrecipient Monitoring Guide

- Collection of documents to assist administrators at the responsible offices and central level with subrecipient monitoring.
- Additional monitoring efforts should always be implemented if there is any question about the subrecipient's ability to ensure proper use and financial management of sponsor funds during any stage of the award.

Participant Support Costs

- Individual Budget line in awards and reporting – make sure to track accordingly.
- Prior approval is required to include or make changes to this budget line
- Selection criteria for participants must be documented and clearly stated in writing
- Term & Conditions may exclude Participant Support Costs from F&A calculations
- Make sure to read the fine print on your award regarding Participant Support

Closeout:

2 CFR 200.343 – Closeout

“...all applicable **administrative actions** and **all required work** of the Federal award have been completed by the non-Federal entity...”.

- no later than **90 calendar days** after the end date of the period of performance, **all financial, performance, and other reports**
- must **liquidate** all obligations
- **prompt payments** to the non-Federal entity for allowable reimbursable costs
- (non-federal entity) must refund any balances of unobligated cash
- agency or pass-through entity must make a settlement for any upward or downward adjustments
- must account for any **real and personal property** acquired
- agency or pass-through entity should complete all closeout actions for Federal awards **no later than one year** after receipt and acceptance of all required final reports.

Goals of a Closeout

All involved parties agree that:

- All work has been completed
- Fiscal matters have been settled
- Deliverables are submitted and accepted
- Compliance matters are in place
- All administrative actions are finished

Bilateral vs Unilateral Closeout

Bilateral Closeout

- Bilateral closeout is closeout with the cooperation of the recipient and the funding agency.
- All parties are in agreement



Unilateral Closeout



- Unilateral closeout is the process by which the funding agency closes out an award without receipt of acceptable final reports required by the terms and conditions of an award, after making reasonable efforts to obtain them. It is a measure of last resort.
- Timeliness is extremely important to avoid a unilateral closeout

Understanding Closeout Requirements

Before 90 (120 NIH) calendar days from stated project end date in the NOA:

- Final Financial Report
- Performance / Technical Final Report
- Terms & Conditions Deliverables
- Property Reports
- Liquidate Obligated Balances

What are the alternatives for unforeseen issues at closeout?

- The UG does not provide remedies
- However, communicate with your program officer or agency to request an extension
- Most agencies do have policies on closeout extensions

Questions



References

- PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS, http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
- Management Concepts - Advanced Cost Principles - Avoiding Problem Areas & Responding to Questioned Cost Student Guide
- Management Concept - Uniform Administrative Requirements for Federal Grants: 2 CFR 200 (Subparts A through D) Student Guide
- Management Concept - Cost Principles for Federal Grants 2 CFR PART 200 (SUBPART E) AND FAR 31.2 Student Guide
- Management Concepts - Developing & Monitoring Indirect/F&A Cost Rate Proposal Student Guide
- Uniform Guidance - How does this affect my Grant?, Jason Galloway, Associate Controller HSC Contract and Grant Accounting
- Rensselaer Research Administration & Finance: Uniform Guidance Cost Principles Reference Guide, <https://www.rpi.edu/dept/finance/docs/research/UGCostPrinciplesReferenceGuide.pdf>
- NSF Award and Administration Guide, http://www.nsf.gov/pubs/policydocs/pappguide/nsf16001/aag_index.jsp
NIH Grants Policy Statement, <http://grants.nih.gov/policy/nihgps/index.htm>