

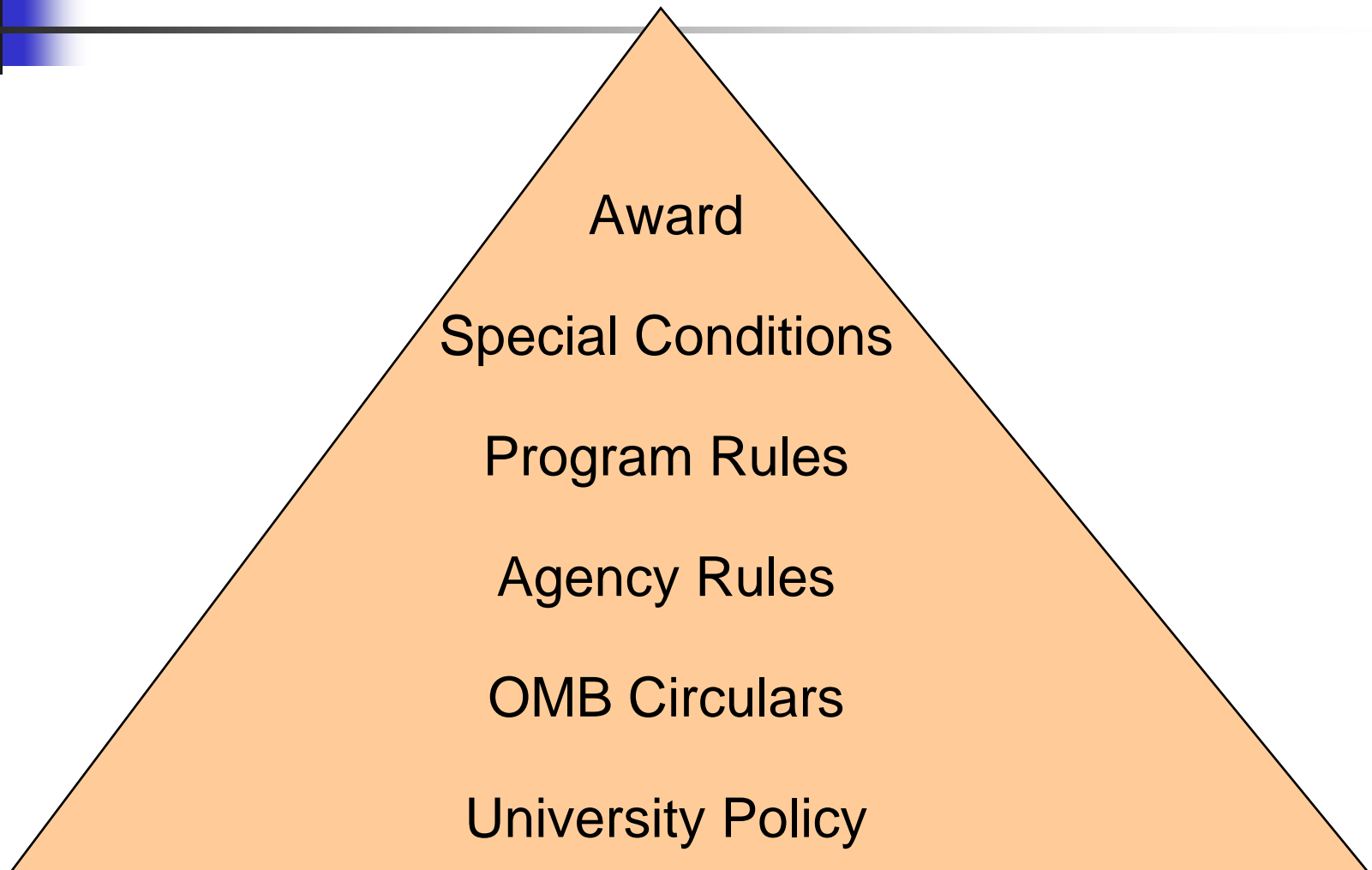
Contract and Grant Regulatory and Compliance Workshop

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Order of Precedence





OMB Circulars

- Purpose: To give **instructions to the federal agencies** affected by the circulars; federal agencies are required to implement.
 - Agencies pass the requirements to institutions
- Effect: Set minimum standards for institutions.



OMB Circulars Applicable to all Awards

- A-21 Cost Principles for Educational Institutions
- A-110 Grants and Agreements with Institutions of Higher Education: Uniform Admin Requirements
- A-133 Audits of Institutions of Higher Education and Other nonprofit Institutions



OMB Circular A-21- Cost Principles for Educational Institutions

Purpose: Establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions

Determines what costs can be included in the F&A calculation

Remember: addresses both direct and F&A (indirect) costs as well as specific allowable costs (in "J" section)



A-21 Constantly Changes

- Tighten rules on Allowability and allocation of costs
 - Primary focus on Facilities & Administrative Costs
- Promote greater standardization in treatment of costs
 - Also directed primarily at Facilities & Administrative Costs



How Is Allowability Determined?

Allowable: Under the agreement, regulations and public laws

Reasonable: A prudent person would have purchased this item and paid this price

Allocable: They can be assigned to the activity on some reasonable basis

Consistently Treated: Like costs must be treated the same in like circumstances, as either direct or F&A costs

If a cost cannot meet the above criteria, it is UNALLOWABLE, no matter what it is for.



Unallowable Costs

(Can not be charged against Federal agreements, used as cost sharing or placed in the F&A cost base)

Unallowable Activities

(Something you do)

- **Organized fund raising**
- **Lobbying**
- **General public relations & alumni activities**
- **Student Activities**
- **Managing investments solely to enhance income**

Unallowable Objects

(Something you buy, a line item)

- **Advertising**
- **Alcoholic beverages**
- **Entertainment**
- **Fines & penalties**
- **Moving costs if employee resigns within twelve months**



A-21 Revisions, July, 1993

- "The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project of activity. Items such as office supplies, and memberships shall normally be treated as indirect costs." F.6.b.



Section J Highpoints

- 3. ALCOHOLIC BEVERAGES:
UNALLOWABLE
- 17. ENTERTAINMENT:
UNALLOWABLE
- 22. GOODS OR SERVICES FOR PERSONAL USE:
UNALLOWABLE
- 23. HOUSING AND PERSONAL LIVING EXPENSES:
UNALLOWABLE
- 30. MAINTENANCE AND REPAIR COSTS:
ALLOWABLE
- 43. RENTAL COST OF BUILDING AND EQUIPMENT:
ALLOWABLE if necessary for operation



Expanded Authorities

- Pre-Award Costs
- Time Extensions
- Rebudgeting
- Carryover



Audits

- **Question:** When do you begin preparing for an audit?
- **Answer:** The day you prepare the proposal.



Audits

- Document! Document! Document!
- When transfers are required- **“Defend the Debit”**
 - Auditors want to know why the award was charged for the expense



Transfer of Expenses

“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...”

A-21, C.4.b



Transfer of Expenses

- “Transfer(s) must be supported by documentation that contains a full explanation of how the error occurred...”
- “An explanation that merely states “to correct error” or “to transfer to correct project” is not sufficient.”
- “It should be noted that frequent errors in the recording of costs may indicate the need to review the accounting system and/or internal controls.” (DHHS Grants Manual)



Cost Sharing

- University contributes resources towards a sponsored project
- Should be included in the proposal only where absolutely required
- Imposes a substantial burden on PI to account for and provide supporting documentation



To be acceptable as Cost Sharing an expenditure must satisfy all the following criteria (A-110 C.23):

- Be verifiable from the official university records
- Not be used as cost sharing for any other sponsored program
- Be necessary and reasonable for proper and efficient accomplishment of the project
- Allowable under A-21
- Be incurred during the effective dates of grant
- Not be paid by Feds under another award



Cost Sharing

The amount of any obligation included in the original proposal and/or subsequently through negotiation *must be* documented along with the source of funds.



Property Control

The university is required to establish and maintain a system for managing and accounting for property purchased with federal funds or on loan from the federal government.

- Contracts- FAR sec 52 & 45
- Grants- A-110, Subpart C



How Equipment is Audited

- Review accounting system to determine equipment expense
- Determine if budgeted (allowable)
- Review university inventory records
- Review the Department's process for tagging and locating
- On-sight verification
 - Is it in the room reported in inventory records
 - Is the equipment tagged (PU & Government)



Additional Resources

OMB Circulars

<http://www.whitehouse.gov/WH/EOP/omb>

ORPA's Website

<http://www.princeton.edu/~orpa1/>

NIH Grants Policy Statement

<http://www.nih.gov/grants/policy/nihgps/index.htm>



Questions?



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