GRANT COORDINATOR MEETING 9/18/08
SPONSORED PROGRAMS ACCOUNTING

INTRODUCE JAMY RENTSCHLER – SPA Accountant for Extension, FP&M, Library, PSI, President's Office, Student Affairs, VPBF

ADVANCED ACCOUNTS

Purpose- Allows spending for a project prior to award execution. Occasionally awards will get delayed at the Sponsor during negotiation or award processing, and advanced accounts allow spending to begin immediately while the details are being worked out. The advanced account also eliminates the need for corrections and transfers from other accounts to the project account for expenses that posted while waiting on the award to be finalized.

Procedure-

1. Obtain the Request for Advanced Account Number Form from the OSPA website (remember to print the form off on salmon colored paper).
2. Complete the form, route form for approvals, and forward to OSPA.
3. OSPA reviews and approves form, and forwards to SPA with any correspondence or documentation.
4. SPA establishes a new account number on the system identifying it as an advanced account (AT title description will start with ADV). The system will show only expenditures. The budget and award information will be entered after the award is finalized.
5. SPA clerk sends out an e-mail notifying PI, Department and Unit that the advanced account is established.

Things to remember-

1. The department assumes the risk of expenses not covered by changes in the contract or failed negotiations of contract.
2. If exact start date of award is unknown and expenditures post prior to the contracted start date of the award, the department must get approval for the pre-award expenses. With some federal sponsors, OSPA has been granted institutional authority to approve 90 day pre-award spending. SPA will set up the account with an effective date equal to what you indicate the anticipated start date will be.
3. The Department needs to monitor the advanced account to ensure that an agreement is in place within 3 months of the advanced account being established to limit risk.
4. If the PI leaves prior to receiving the award or if you learn that the award is not going to be executed, notify SPA so the advanced account can be closed. You will then need to move the expenditures off of the advanced account.

REDUCTION OF PI EFFORT

From OMB Circular A-110 (aka 2 CFR, Part 215):

___.25 Revision of budget and program plans.

(c) For nonconstruction awards, recipients shall request prior approvals from Federal awarding agencies for one or more of the following program or budget related reasons.

> (1) Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).
>
> (2) Change in a key person specified in the application or award document.
>
> (3) The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.

For example, if a PI indicates they will devote 35% of their time working on a project but discovers they can only work 20%, that would represent a 43% reduction in effort – (35-20)/35 – and would require notification and approval from the sponsor.

Another consideration is PI effort during no cost extension periods. When a no cost extension is received, the sponsor still expects the same level of effort to be devoted to the project during the no cost extension period as the last budgeted period. If this will not occur, the sponsor should be notified in order to comply with requirements of OMB Circular A-110.

FEDERALLY OWNED EQUIPMENT

Federally owned equipment can be defined two-ways:

1. Equipment on loan from a Federal Sponsor that will need to be returned.

2. Equipment acquired with Federal funds from a Sponsor in which the equipment is restricted. This would occur when Iowa State has either purchased or constructed equipment with federal funds where the agreement restricts the title of the equipment. Title to the equipment would then vest with the Sponsor upon acquisition and they will have final say as to its disposition.

For equipment on loan from the Sponsor, SPA may have knowledge of the pending action if it is included in the award documents, but we will not know when the equipment is actually received. This can cause problems with reporting to the sponsor. If your department or center receives equipment from a Sponsor it is important to notify Gary Russell in Inventory Control so that it can be tagged and identified as being Federally owned in the inventory system. You should also notify the Sponsored Programs Accountant responsible for the award.

For all equipment purchases on 4xx federal, federal flow through, and state funds SPA should be included in the Web Requisition routing. After the equipment has posted to the inventory system, if the purchase will be Federally owned the Accountant will change the status in the system to “RESTRICTED”. At the end of the award we will provide the Sponsor with a report of the equipment and ask for disposition instructions.

We recently had an incident where a piece of equipment was received by a department but they were unaware its receipt needed to be reported to Gary Russell in Inventory Control. SPA submitted an annual Property Control System report to ONR without listing this piece of equipment. As a result, ONR questioned the adequacy of our inventory control system. It is very important that Federal equipment on loan be accounted for appropriately and on a timely basis to avoid reporting or disposition errors. If you have any questions regarding equipment, please contact your Sponsored Programs Accountant.

US DEPARTMENT OF JUSTICE FINANCIAL REVIEW

The Department of Justice (DOJ) conducted a site visit at ISU on August 12, 2008. The purpose of the site visit was to perform routine grant financial monitoring and provide technical assistance for grants awarded by the Department of Justice. The visit included a review of three DOJ grants. The DOJ auditor requested information on ISU accounting and records systems.

Other information requested included:

- All financial and administrative files for the grants
- Listing of all employees, by grant, compensated with grant funds – including their name, date of hire, position, and current salary and fringe benefits costs
- A list of all sub-recipients and funds disbursed to each sub-recipient
- An inventory of all equipment purchased with grant funds
- A list, by grant, of all expenditures incurred as of 6/30/08
- Supporting documentation for all expenditures charged to the grants
- Financial Status Reports (SF 269)
- The most recent OMB Circular A-133 Single Audit Report

The expenditures types reviewed by the auditor included travel, tuition, personnel costs, and purchases from outside vendors.

The preliminary results of the review found:

- An employee was paid beyond the end date of the award
- Rebudgeting was not requested for budget categories that exceeded 10% of the total budget (items budgeted as equipment posted to the supply budget line, salary costs in excess of budget by more than 10% of the award)
- Travel costs were questioned for two domestic travel events in which the traveler did not depart from Iowa and was no longer an ISU employee

Lessons Learned from the review:

- For awards that do not terminate at the end of a month, please review employee salary paid from grant funds to ensure that they are not paid beyond the end date of the award.
- Please review the Sponsored Programs Financial Reports to identify if rebudgeting is needed. If rebudgeting is needed, please submit a request for rebudget to OSPA prior to the end date of the award.
- The department's records were well organized and they were able to respond to the auditor's request for information quickly.

POST DOC BENEFITS

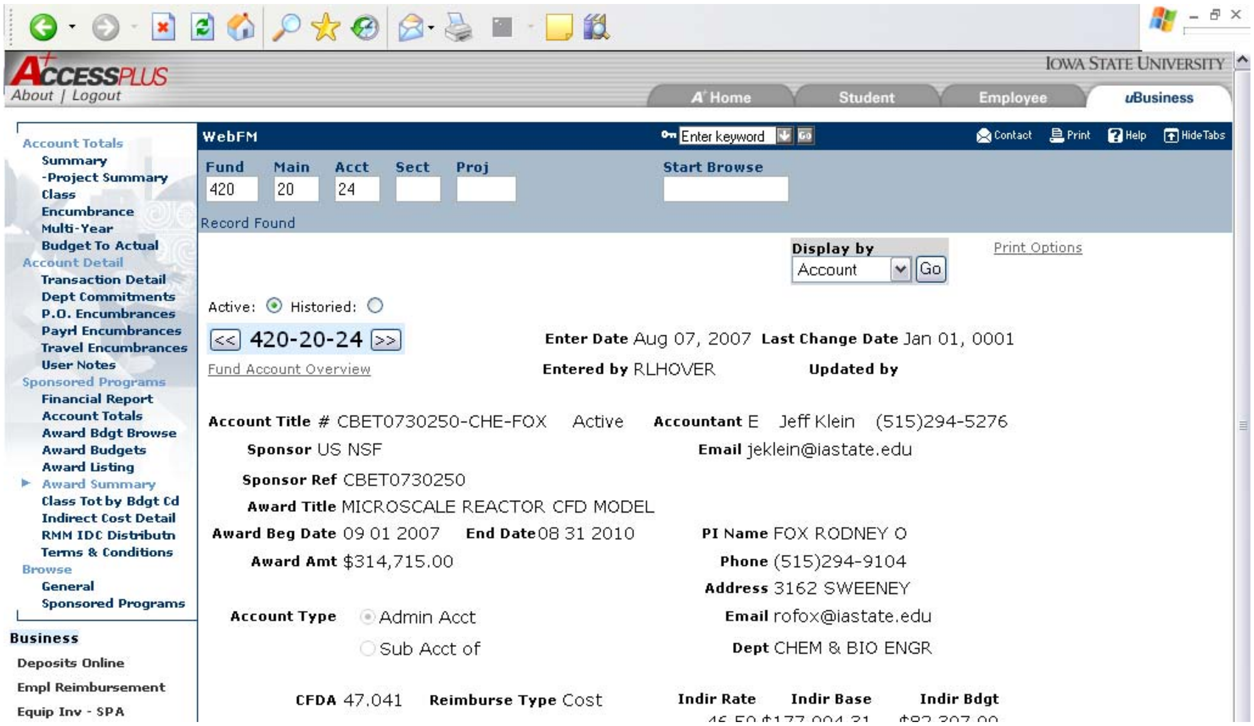
Several departments have had shortfalls in their fringe benefit budgets recently that are associated with the actual benefit costs for post doc employees exceeding the average rate. The current average fringe benefit rate to use on proposal budgets is 23% for post docs. The actual annual departmental costs for health insurance for a post doc can vary in FY09 from $1,816.50 (Employee Only) to $10,303.00 (Employee/Family). Departments can budget the actual post doc benefit rates on proposals when the post doc who will work on the project is known and the actual costs to be incurred will be higher than the 23% rate. The use of actual rates is subject to College approval.

It is very important for departments to be aware of this potential variation in post doc fringe benefit costs and use the monthly Sponsored Programs Financial Report (SPFR) or payroll vouchers to monitor these costs. For instance, a SPFR may be used by a department to easily calculate the percentage of salary and hourly budget that has been spent to date and compare this to the percentage of fringe benefits budget that has spent to date. A payroll voucher may be used to calculate the actual post doc rate being incurred for a given month. PIs and departments need to monitor their budgets so they are aware of situations where individual budget categories are being spent faster than anticipated.

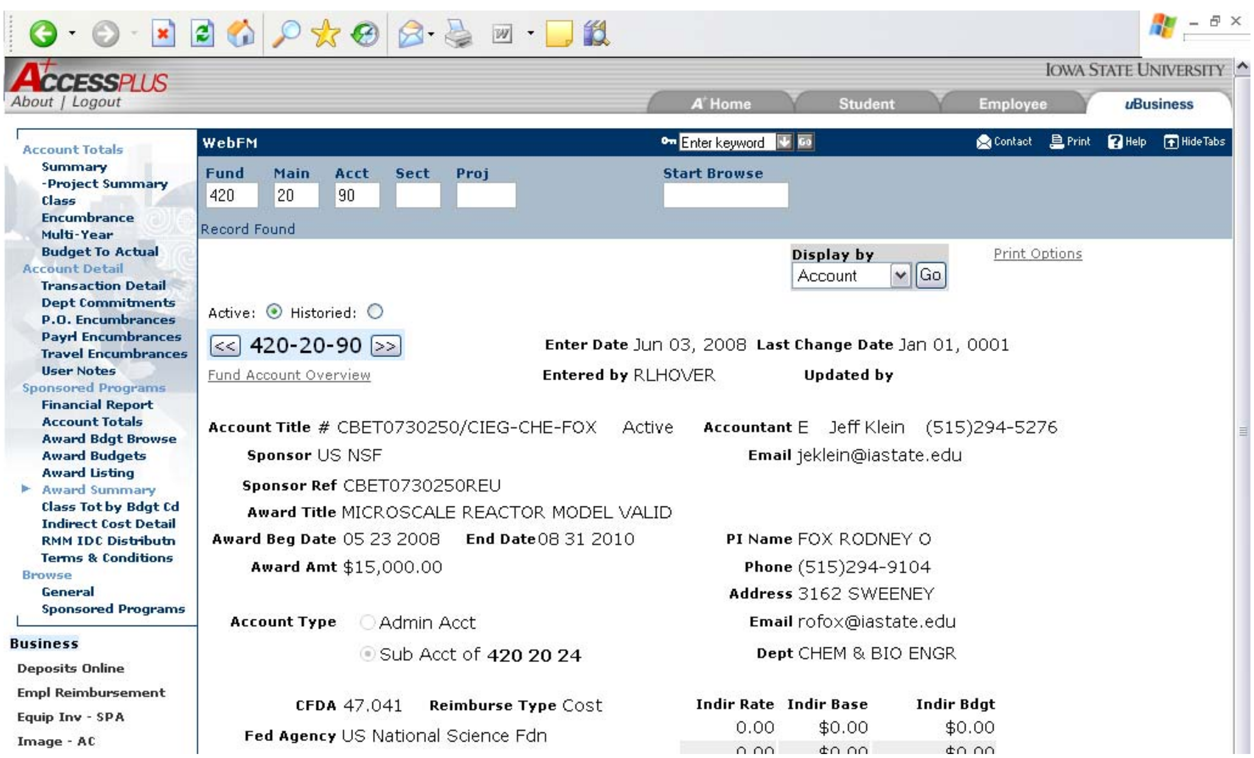
ADMIN ACCOUNTS VS. SUB ACCOUNTS

Each 4xx account is designated as an Admin Account or Sub Account on the WebFM Award Summary screen. Each award will have one and only one Admin Account. If additional accounts are established for an award, these accounts will be designated as Sub Accounts.

For example, 420-20-24 is an Admin Account. See the Account Type designation below.

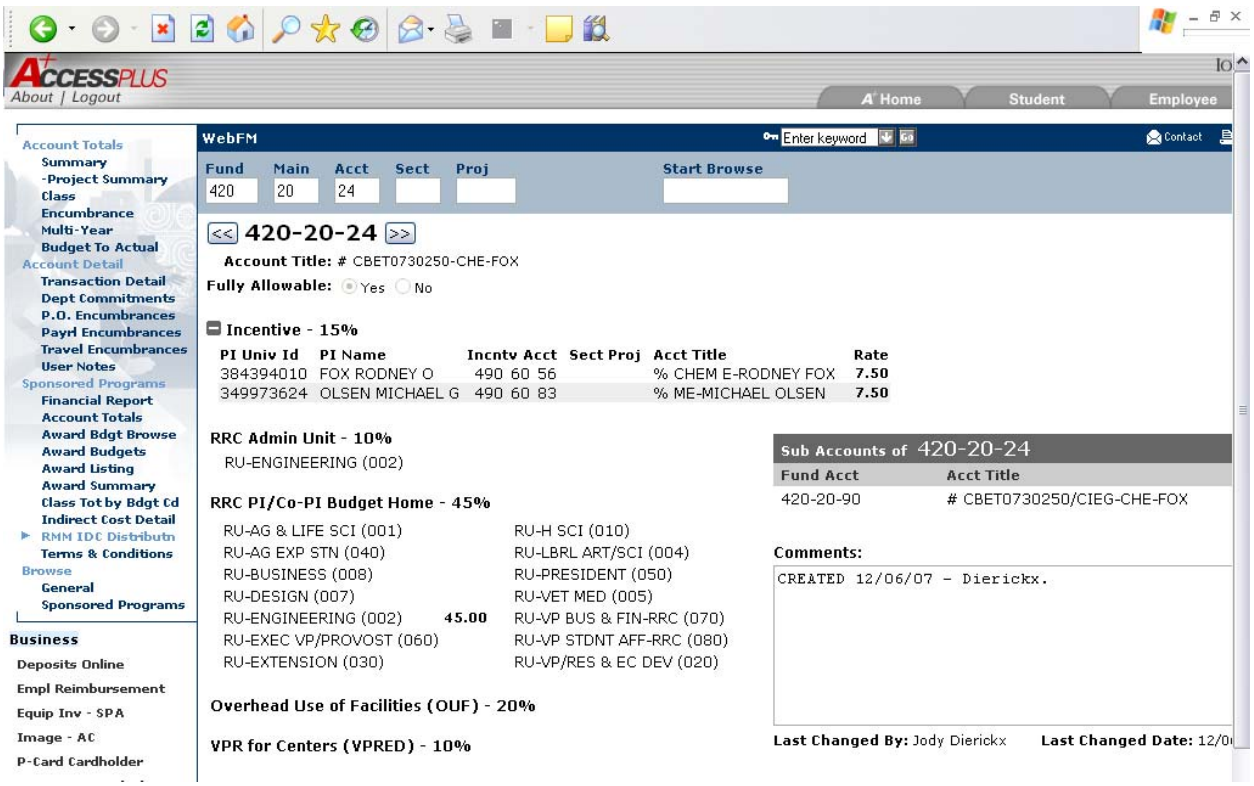


420-20-90 is a Sub Account of 420-20-24. See the Account Type designation below.



The RMM IDC Distribution screen in WebFM can be used to determine if a specific Admin Account has any Sub Accounts.

For example, 420-20-90 is listed as a Sub Account of 420-20-24. See below. An RMM IDC Distribution profile does not need to be entered for the Sub Accounts to be listed.



MAIN ACCOUNTS VS. CONTROL ACCOUNTS

Two different methods exist for managing projects with multiple accounts. Admin accounts can be “main” accounts or “control” accounts. Departments should let SPA know if they have a preference when new accounts are set up for a new award.

	Main Accounts	Control Accounts
Budget	Sum of award amounts on all accounts equals award total. The main account’s budget is reduced for subaccounts that are funded. Expenses are incurred on the main account.	Sum of all award amounts on all accounts equals 2X the award total. A control account is established for the entire award total. No expenses are incurred on the control account
Receipts	Receipts are deposited into the accounts where expenses are made.	Receipts are deposited only into the control account.
Transfers (TFRs)	No T04-01 transfers are made to subaccounts. (Exception: Transfers will be made to 420, 430 and 432 accounts).	T04-01 transfers are made from the control account to subaccounts. All subaccounts will appear fully funded.

Recently we had an issue where the main account for an award was not reduced for a subaccount that was funded. The sum of all the award amounts was overstated and not detected by SPA or the department. When working with awards with multiple accounts, please review the accounts to ensure that the sum of the award amounts on all the accounts in WebFM can be tied to the total awarded amount in the award documents. SPA will be working with our programmers to create a sum of award amounts on the WebFM Award Summary screen of Admin Accounts to assist with this task.

INCENTIVE AND FIXED PRICE RESIDUAL FUNDS

Qualifying for Incentive

The indirect cost incentive program was originally established to encourage PIs to obtain full indirect cost recovery on awards. Fifteen percent of indirect cost charged on qualifying awards is credited back to the PI's incentive account in the 490 fund series.

In order to qualify for incentive on awards executed on 7/1/02 or after, the award must bear the full allowable indirect cost rate applicable. If the sponsor limits recovery to a certain percentage, this is considered full allowable recovery.

In addition, if a multi-year proposal is submitted with the full allowable indirect rate and the negotiated indirect rate increases during the life of the award, the award will continue to qualify for the incentive program even if the sponsor holds the indirect rate to its original level.

The 490 account is funded monthly by a transfer. The current incentive distribution for an award is listed on the Admin Account's RMM IDC Distribution screen in WebFM.

Limitations on 490 Incentive Accounts

The account must always maintain a positive cash balance.

A PI will have only one incentive account regardless of the number of awards that are generating incentive.

The 490 account will remain active as long as the PI is associated with the university and the account has a positive balance.

Any charge that is appropriate and allowable in the university system may be charged to the incentive account—salary, equipment, supplies, etc. The expense must benefit ISU.

PI Resignation or Retirement – Incentive or Fixed Price Residual Funds

If a PI leaves the university or retires, the unspent balance in the incentive account and/or fixed price residual accounts will revert to the PI's department/research unit for their use.

OTHER ISSUES/CONCERNS/QUESTIONS