Fundamentals of Sponsored Project Administration

August 1, 2014

UTSW
• David Ngo, Assistant Vice President – SPA
  UT Southwestern Medical Center
Lifecycle of a Proposal/Award

1. Submit Proposal
2. Revised Budget
3. Pre-Award Costs
4. Award
5. Submit Renewal/Competing-Continuation
6. Final Reports
Lifecycle of a Proposal/Award, Continued
Overview of Topics: Part 1

- Sponsored Projects Administration: Functions, Organizations, and Perspectives
- The Funding Environment: Sponsors, Award Mechanisms, and Regulations
- Costing Issues
Overview of Topics: Part 2

• Pre-Award Services, Proposal and Budget Development
• Proposal Development (contd.)
• F&A Rates and Cost Recovery
• Pre-Award: Proposal Submission, Review and Negotiation
• Post-Award and Grants Management
Overview of Topics: Part 3

- Compliance
- Special Considerations in Award Management
- Termination and Audit
- Hot Topics and Summary
Examples of Questions to be Addressed…

- What kinds of functions or activities are required in sponsored projects administration?
- Are there different organizational structures for sponsored projects offices?
- What’s the difference between a grant and a contract?
- What’s the difference between a subcontract, a consulting agreement, and a purchase order?
- What are the cost principles for federal grants and contracts?
Examples of Questions to be Addressed…

• How are proposals and budgets prepared?
• How do I explain to faculty why we should charge our full F&A rate?
• How are F&A cost rates calculated?
• Why do I have to know how F&A rates are calculated?
• Are you absolutely sure I have to know how F&A rates are calculated?
• How are proposals evaluated and awarded?
• What systems are used by funding agencies for electronic proposals and awards?
Examples of Questions to be Addressed…

• What rules and regulations govern grants management?
• Does OMB stand for “Office of Many Bureaucrats?”
• What are the primary areas of compliance?
• How do you transfer a grant or contract?
• How do you close-out a project?
• What are the various kinds of audits?
• What’s next in policies, regulations, compliance, and audits?
• How can NCURA improve this program?
Frequently Asked Questions
that will NOT be Answered…

• Why do faculty always wait until the last minute?
• Why do your eyes glaze over when you listen to an explanation of F&A rates?
• Why are there no rap songs about research administrators?
• Why does the government only add regulations, but never take any away?
• Is it too late to find another line of work?
• Is there a profession with more acronyms than research administration?
• Just how DO you explain to your family what it is you do at work all day?
• Will a career in research administration lead to fortune and fame?
• Why is this meeting room so hot?
• Why is this room so cold?
“Research and development! My goodness!”
Overview of Topics – Part 1:

1. Sponsored Projects Administration: Functions, Organization, and Perspectives
2. The Funding Environment: Sponsors, Award Mechanisms, and Regulations
3. Costing Issues
Why Sponsored Projects?: The Institution’s Perspective

Often centered around institution’s standing and mission

• Attract the best faculty and students
• Train future scientists and teachers
• Build infrastructure
• Develop an educated citizenry
• Service to society
Organizational Participants

• Executive Administration
• Academic and Research Divisions
• Business Divisions
  ♦ Human Resources
  ♦ Purchasing
• Legal Office
• Compliance Office
Internal Stakeholders

Research administrators seek a balance of interests that respects the shared responsibilities throughout the institution.

External Stakeholders

Research administrators balance facilitating the research, teaching, and public service activities of faculty and students while accommodating the priorities and stewardship expectations of the institution, governmental entities, sponsors and the public.
“Friend of the administration or friend of research?”
Common Goals: Research Administrator and Investigator

- Increase sponsored program activity and publication of results to advance knowledge
- Enhance educational opportunities for students
- Expand research and public service activities
- Streamline and improve the research environment
- Protect and minimize risk to individuals and institution
Organizational Models

**Unified**
- Under one division
- Still may have other offices distributed (e.g., compliance)

**Separate**
- Parallel
- Under academic and business divisions

- **Organizational models depend on:**
  - Tradition and philosophy
  - Size and mission of institution
  - Experience
  - Cooperation and teamwork

- **Communication is key for success in all models**
Functions of Research Administration: Some Examples

- Policy and procedure development and implementation
- Funding opportunity identification and promotion
- Assisting with proposal and budget development
- Interpretation of guidelines
- Stewardship and accountability
- Financial and programmatic oversight
- Project performance and delivery
- Subcontracts, purchase of goods and services
Functions of Research Administration: More Examples

- Training
- Maintain processes and infrastructure for electronic proposal submission and reporting
- Reporting
  - Progress
  - Fiscal
  - Final

- Review representations and certifications
- Compliance
- Risk management
- Communication of outcomes for public benefit and economic development
Overview of Topics – Part 1:

1. Sponsored Projects Administration: Functions, Organization, and Perspectives
2. The Funding Environment: Sponsors, Award Mechanisms, and Regulations
3. Costing Issues
Who are our Sponsors?

• Federal Government
  ♦ Agriculture, Energy, Defense, Health & Human Services, National Science Foundation, Environmental Protection Agency

• State Government
Who are our Sponsors?

- Foundations
  - Ford Foundation, MacArthur Foundation, Robert Woods Johnson Foundation, AT&T Foundation, Susan G. Komen Foundation
Who are our Sponsors?

- Other Non-Profit Organizations
  - American Cancer Society, American Chemical Society
- Industry, For Profit Corporations
  - Microsoft, Lockheed Martin
Announcements of Opportunities

Sponsor funding announcements for unsolicited proposals:

- **PA:** Program Announcement
- **FOA:** Funding Opportunity Announcement (NIH)
- **RFA:** Request for Application

Where announced:
- Grants.gov
- Sponsor websites and/or publications
- Federal Register
- Proprietary databases and newsletters

Response required:
- Proposal or application

Award mechanism:
- Grant or cooperative agreement
Announcements of Opportunities

Sponsor funding announcements for solicited proposals:

- **RFP:** Request for Proposal
- **RFQ:** Request for Quotation
- **RFB:** Request for Bid
- **BAA:** Broad Agency Announcement

Where announced:
- Sponsor Websites/Publications
- FedBizOpps
- State procurement lists (General Services)

Response required:
- Proposal, bid, or quote

Award mechanism:
- Contract
- Grant or cooperative agreement also possible
Grant

Used when:

- Purpose is to transfer money, property, services or anything of value to recipient in order to accomplish a public purpose.
- No substantial involvement is anticipated between government and recipient during performance of activity.
Cooperative Agreement

Used when:

- Purpose is to transfer money, property, services or anything of value to recipient in order to **accomplish a public purpose**.
- Substantial involvement is anticipated between government and recipient during performance of activity.
Formal Agreements: Procurement Mechanisms

Contract

Used when:

- Principal purpose is to acquire property or services for direct benefit or use of the federal government.
- Government determines that procurement contract is appropriate.
  - Very restrictive, can have high demands
  - No expectation of cost sharing
Types of Contracts

- Cost Reimbursement
- Fixed Price
Cost-Reimbursement or Fixed Price Contract: How Can I Tell?

• **Cost-Reimbursement**
  - “Total estimated cost” or “not to exceed amount”
  - Invoicing based on expenditures
  - Listed FAR clauses

• **Fixed Price**
  - “Total price”
  - Invoicing based on milestones or deliverables
  - Listed FAR clauses

* Generally, purchase orders (POs) are fixed-price
A Note About Federal Grants and Contracts

• Federal Financial Assistance (FFA)
  ◆ Grant or cooperative agreement
  ◆ Catalog of Federal Domestic Assistance (CFDA) number (e.g., 93.173 – NIH Research Related to Deafness and Communication Disorders)
  ◆ Usually cost-reimbursement

• Federal Procurements
  ◆ Contract
  ◆ No CFDA number
  ◆ Can be fixed price or cost-reimbursement
Types of Award Actions

• New Award/Competing Award
  ♦ New research or project idea funded competitively for the first time

• Continuation Award/Non-Competing Award
  ♦ Incremental funding of a previously approved project period (such as annual funding on a multi-year project)
  ♦ Usually based on reasonable progress reported by investigator
Types of Award Actions

- **Renewal/Competing Continuation**
  - Continuing project funded competitively for a new project period

- **Supplemental Award**
  - Additional funding provided by the sponsor during a previously approved budget period (such as an REU - Research Experiences for Undergraduates - supplement to an NSF award)
Types of Award Actions

- **Modification/Amendment**
  - Budget modification
  - Change in scope of work or significant change in research plan
  - Change in key personnel or level of effort on the project
  - Administrative changes (e.g., change in reporting requirements)
  - Termination of agreement

- **No-Cost Extension**
  - Extension of agreement end date without additional funding from the sponsor.
Typical Elements of an Award Notice

- Awarding entity and authority
- Sponsor award number
- Catalog of Federal Domestic Assistance Number (CFDA)
- Recipient/Awardee name (institution)
- Name of Principal Investigator/Project Director

- Reference to proposal or project title
- Award period (start and end dates)
- Funding (total, incremental)
- Invoicing/payment
- Reports/deliverables
- Terms and conditions (in text, attached, or incorporated by reference)
THESE ARE THE COMMANDMENTS... THOSE OVER THERE ARE THE GOVERNMENT GUIDELINES THAT GO WITH THEM.
Office of Management and Budget Circulars

- **OMB Circulars for Cost Principles Applicable to All Awards:**
  - **A-21:** Cost Principles for Educational Institutions
    *(Revised May 10, 2004)*
  - **A-87:** Cost Principles for State, Local and Indian Tribal Governments
    *(Revised May 10, 2004)*
  - **A-122:** Cost Principles for Non-Profit Organizations
    *(Revised May 10, 2004)*

Although hospitals are not subject to A-21, A-87 or A-122. It is important to note that Cost Principles for Hospitals fall under OMB 45 CFR Part 74

Office of Management and Budget Circulars

- **OMB Circulars for Uniform Administrative Requirements:**
  - **A-110:** Grants and other Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations: Uniform Administrative Requirements *(Revised November 19, 1993, Amended September 30, 1999)*
  - **A-102:** Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments
Office of Management and Budget Circulars

• **Regulations Applicable to Audits:**
  - **A-133:** Audits of States, Local Governments and Non-Profit Organizations *(Revised June 24, 1997)*

• **Regulations Applicable to Procurement Actions:**
  - **FAR:** Federal Acquisition Regulations *(first published, Federal Register, 9/19/83; on-going revisions)*
Fire is invented.
The FAR in Context

- The Federal Acquisition Regulation (FAR) is the procedure manual for federal purchases; the FAR is the implementation of federal laws, as they pertain to federal procurement.

- The FAR is codified at Title 48 of the Code of Federal Regulations (CFR), and consists of 63 chapters:
  - Chapter 1 is commonly known as the FAR, or Basic FAR.
  - Chapters 2-63 are known as the FAR Supplements, one for each Executive agency (e.g., DOD, NASA, HHS, USDA, etc.).
  - Each FAR-governed contract includes clauses from the Basic FAR; any such contract will also include clauses from the issuing agency’s FAR Supplement.
Organization of the FAR

• Each FAR Chapter is subdivided into Parts – each Part addresses a particular topic:
  ♦ Examples of these topics include, procurement, property management, termination, inspection, cost accounting standards, etc.
  ♦ In fact, for federal contracts, the FAR replaces OMB A-110.
There are 3 main groupings of the FAR Parts:

- Parts 1-51 contain instructions on how the Contracting Officer is to construct a contract, using the pre-written clauses in Part 52. These instructions take into account factors such as contract purpose (e.g., supply, service, construction, research, etc.), and contractor type (e.g., commercial, non-profit, educational, etc.).

- 52.200 Scope of subpart. This subpart sets forth the text of all FAR provisions and clauses (see 52.101(b)(1)) and gives a cross-reference to the location in the FAR that prescribes the provision or clause.

- Part 53 contains forms commonly used in federal contracting.
The FAR Numbering System

### Instruction – Example: 2-27.304

<table>
<thead>
<tr>
<th>2- Chapter (Agency)</th>
<th>27. Part (Topic)</th>
<th>3 Subpart</th>
<th>04 Section</th>
<th>Subsection</th>
</tr>
</thead>
</table>

### Clause/Provision - Example: 2-52.227-7039

<table>
<thead>
<tr>
<th>2- Chapter (Agency)</th>
<th>52. Part (Topic)</th>
<th>2 Subpart</th>
<th>27- Section</th>
<th>7039 Subsection</th>
</tr>
</thead>
</table>
Looking-up FAR Clauses

• In Part 52 of the relevant FAR Chapters, look-up the FAR clause reference numbers from your contract to find the full text of each FAR clause.

• The first line of text of each FAR clause is a cross-reference to the specific instruction, or “prescription,” that governs when that clause is to be used in a federal contract.

• Review the prescription to determine if the clause should be in the contract. If so, review the clause to determine whether you can accept it.
# Bringing it all Together

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Agency</th>
<th>Acronym</th>
<th>3</th>
<th>16</th>
<th>27</th>
<th>31</th>
<th>45</th>
<th>52</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>All</td>
<td>FAR</td>
<td>3.</td>
<td>16.</td>
<td>27.</td>
<td>31.</td>
<td>45.</td>
<td>52.</td>
</tr>
<tr>
<td>2</td>
<td>Defense</td>
<td>DFARS</td>
<td>2-3.</td>
<td>2-16.</td>
<td>2-27.</td>
<td>2-31.</td>
<td>2-45.</td>
<td>2-52.</td>
</tr>
<tr>
<td>3</td>
<td>Health</td>
<td>HHSAR</td>
<td>3-3.</td>
<td>3-16.</td>
<td>3-27.</td>
<td>3-31.</td>
<td>3-45.</td>
<td>3-52.</td>
</tr>
<tr>
<td>30</td>
<td>Homeland</td>
<td>HSAR</td>
<td>30-3.</td>
<td>30-16.</td>
<td>30-27.</td>
<td>30-31.</td>
<td>30-45.</td>
<td>30-52.</td>
</tr>
</tbody>
</table>

*PARTS*
Overview of Topics - Part 1:

1. Sponsored Projects Administration: Functions, Organization, and Perspectives
2. The Funding Environment: Sponsors, Award Mechanisms, & Regulations
3. Costing Issues
Lifecycle of a Proposal/Award Development

Pre-Award

1. Submit Proposal
2. Revised Budget
3. Pre-Award Costs
4. Award

Post Award

1. Submit Proposal
2. Revised Budget
3. Pre-Award Costs
4. Award
5. Submit Renewal/Competing-Continuation
6. Final Reports

Development

Agency Review (6-9 Months)
1st Budget Period
2nd Budget Period
3rd Budget Period
No Cost Extension
Closeout

Find/Explore
Direct Costs

• Costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity; or
• That can be directly assigned to such activities relatively easily with a high degree of accuracy

• Examples of Direct Costs:
  ♦ Salary of researcher (including benefits costs)
  ♦ Laboratory supplies purchased for project
  ♦ Technician
Facilities and Administrative (F&A) Costs (Indirect Costs)

• Costs that are incurred for common or joint objectives, and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity (Section E.1)

• Examples of F&A Costs:
  ♦ Salary of department administrator
  ♦ Building utility and maintenance costs
  ♦ President, Provost, CFOs offices and Sponsored Research offices
Total Project Costs

Direct Costs  \(\) (Directly benefit a specific sponsored project)

+  \(\)

F&A Costs  \(\) (Cannot be attributed to a specific project)

\[ \text{Total Project Costs} = \text{Direct Costs} + \text{F&A Costs} \]
What Is An “Allowable” Cost?

- An allowable cost must be:
  - **Reasonable:** A prudent business person would have purchased this item and paid this price.
  - **Allocable:** It 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.
  - **Conform to Terms:** In A-21 or the Sponsored Agreement.

Cost must meet all four standards to be considered allowable!
What Does “Reasonable” Mean?

• A cost is reasonable if …
  
  *The nature of the good or service and the amount involved reflect the action of a prudent person.*

• Considerations in determining reasonableness:
  - Necessary for the performance of the sponsored agreement;
  - Determined by arm’s length bargaining of a prudent person;
  - In accordance with the sponsored agreement terms and conditions;
  - Consistent with established institutional policies and practices
“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. Buffet
Allocability

- A cost can be allocable as a direct or an indirect cost
- A cost is allocable as a direct cost if the goods or services provided are assignable in accordance with the relative benefits received:
  - It is incurred solely to advance the work under the sponsored agreement
  - It benefits both the work under the sponsored agreement and other work of the institution in proportions that can be approximated

Allocate costs based on benefit to projects
Allocating Direct Costs

• Proportional benefit
  ◆ Cost benefits two or more projects in proportions that can be determined without undue effort or cost

• Any reasonable basis
  ◆ Proportional benefit between projects cannot be determined because of the interrelationship of the work involved; allocate costs between projects on any reasonable basis
  
  – *Who determines reasonable basis?*
Examples: Allocability of Costs

- Salary of research technician
  - Allocable as direct cost, not as F&A cost

- Salary of administrative assistant
  - Allocable as F&A, not normally allocable as direct charge to a sponsored project

- Proposal preparation costs
  - Not allocable as direct charge to sponsored award, allocable as F&A cost

- Others that you can think of?
Examples of When Costs May Not Be Allocated

Costs *may not* be allocated:

- to meet deficiencies caused by overruns,
- to avoid restrictions imposed by law or terms of the sponsored agreement,
- for other reasons of convenience, or
- the big “No No”...

... *Because one project has more funds!*
Other Allowability and Allocability Considerations:
Cost Accounting Standards (Appendix A)

CAS 501:
Consistently follow its established cost accounting practices when estimating, accumulating, and reporting costs.

CAS 502:
Consistently allocate costs incurred for the same purpose, in like circumstances, as either direct or F&A costs as they relate to the final cost objective.

CAS 505:
Identify and exclude unallowable costs from proposals and claims (e.g., F&A rate proposal).

CAS 506:
Consistently use the same cost accounting period for purposes of estimating, accumulating, and reporting costs.
Disclosure Statement

- Educational institutions with $25 million or more in Federally sponsored agreements per fiscal year required to file.
- Disclosure Statement (DS 2) submitted to Federal cognizant agency.
- Must file amendments when disclosed practices are changed.
- Cost adjustments shall be made if an educational institution fails to consistently follow its disclosed practices.
Unallowable Cost

- An “unallowable” cost is one that is not eligible for reimbursement by a Federal sponsor, either directly or indirectly (through the F&A rate).

- Costs that are ‘unallowable’ for reimbursement by Federal sponsors may still be permissible charges against department or institution funds, e.g., wine at a reception to entertain potential donors.

- Care should be taken to specifically categorize such costs (usually by specific object code or expenditure type) so that while it may still be reimbursed by the institution it will not be passed on to the Federal government through the F&A rate.
Examples of Unallowable Activities
(something you do)

- Organized fund raising
- Lobbying
- Commencement and convocation
- General public relations and alumni activities
- Student activities
- Student housing
- Campus bookstore
- Athletics

- Prosecuting claims against the federal government
- Managing investments solely to enhance income

Can these be essential institutional activities? **YES!**
Can your institution pay for them? **YES!**
Can you charge these activities to the Federal Government? **NO!**
Unallowable Transactions
(Direct or Indirect)

- Advertising (some types allowed)
- Alcoholic beverages
- Entertainment (including meals with inadequate substantiation of business purpose)
- Fines and penalties
- Memorabilia, promotional materials (allowable if used for employee morale)
- Moving costs if employee resigns within twelve months
- Certain recruitment costs

- Certain travel costs (i.e., first class)
- Cash donations to other parties (such as donations to other Universities)
- "Golden Parachute" severance payments
- Interest (except interest paid to outside parties for certain purposes)
- Memberships in social, dining, or country clubs
Classifying Costs Correctly

Is it an expense?
- NO
  (concert receipts, etc.)
- YES

Is it legal?
- NO
  (illicit drugs, etc.)
- YES

Is it permissible?
- NO
  (parking tickets, etc.)
- YES

Is it for an allowable activity?
- NO
  (fund raising, etc.)
- YES

Is it an allowable object?
- NO
  (alcohol, fines, etc.)
- YES

Is it for a sponsored project?
- NO

Permissible by agency?
- NO

Charge it to:
- * Sponsored Research Account
  * Allowable Object Code

Charge it to:
- * Non-Sponsored Account
  * Unallowable Object Code

Charge it to:
- * Non-Sponsored Account

Use procedures for depositing receipts

Go to jail...

Don’t do it or use your own personal money...

Charge it to:
- * Non-Sponsored Account
  * Unallowable Object Code

Charge it to:
- * Non-Sponsored Account
Charging Administrative Expenses

- OMB A-21 requires administrative/clerical expenses to normally be treated as indirect costs ...

- Except when you have a MAJOR Project or Activity and meet the other criteria for direct charging administrative expenses
What is a Major Project?

- A-21 definition: “a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level”

- Projects may be major, regardless of their size.
Implications of F.6.b. Guidance

• OMB: “Direct charging....may be appropriate where a major project or activity explicitly budgets for administrative or clerical services”

  ♦ Do we explicitly budget for these costs in the research proposal?
  ♦ Does the proposal include a written justification (i.e., why the normally indirect costs are necessary for project performance)
  ♦ Is this a “major project” as defined in Exhibit C of A-21?
Examples of Major Projects

• Those which require or involve:
  ♦ Large, complex programs
  ♦ Extensive data accumulation, analysis, entry...
  ♦ Large amount of travel/meeting arrangements
  ♦ Preparation of manuals, large reports, books...
  ♦ Geographically inaccessible project locations
  ♦ Conditions including human or animal protocols, multiple-investigator coordination

Examples are not exhaustive, nor are they intended to imply that direct charging of admin / clerical salaries would always be appropriate in the situations illustrated.
Criteria for Direct Admin Charging

1. Performance of a ‘major project or activity’”
   *(See A-21 Exhibit C. examples)*

2. Identified with and directly benefiting the project

3. Budgeted and approved by the sponsor

4. Supported by a budget justification

*When all criteria are met, you can charge direct...if it’s Allowable, Allocable, Reasonable, and Consistent!!*