A Note from the Editor

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In addition to the numerous special reports that make up the Library, we offer a weekly e-Alert, and a year-long series of audio conferences – devoted to helping you improve performance and spend more time doing what you love…. the research.

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Best Regards,
Leslie Norins, M.D., Ph.D.
Founder
Principal Investigators Association
9990 Coconut Road, Suite 316
Bonita Springs, FL 34135
info@principalinvestigators.org
Grants Management: The Ins and Outs of Costs, Purchases and Budgets - What Every PI Should Know and Do

Michael Lesiecki, PhD
PI and Consultant

About the Presenter

- I have had the privilege to be a PI and Reviewer for both NIH and NSF grants since 1989.
- My technical background is chemical physics with a lot of focus on applications of laser technology in science and medicine.

About the Grants Management Series

- The proposal has become a funded grant. Let's get on with the work!
- However, in addition to the scientific endeavor the PI bears responsibility for the overall management of the project.
- What are those responsibilities? How is a PI supposed to know?
PI and Grants Management

- What can a PI do at the beginning to insure a smooth running project?
- Looking forward, what can the PI set in place now to insure a clean close out?
- How can the PI make adjustments or corrections for errors that may come up in spending or compliance related issues?
- And...what should the PI do when the auditor comes?

The series focuses on five major topics:

1. **Effort Reporting** including certification and the issues of summer salaries.
2. **Costs and Finances** including misallocations, purchasing and cost transfers.
3. **Monitoring** with a major focus on subaward and contracted efforts.
4. **Reporting and Revisions** to scope of effort, budget and personnel.
5. **Compliance** including Conflicts of Interest, Institutional Review Boards, Data Management.

Point of View

- The PI and Research Team.
Free Money!

Get Free Money Today!

Grants Management Series: Outcomes

- What Successful Grant Project Management Looks Like
- Catalyze a Discussion With Your Office of Sponsored Programs
- Disclaimer……..

Costs and Finances: Issues

- Unsupported charges.
- Improper allocation of costs.
- Insufficient documentation.
- Cost transfers.
- Salaries without back up.
- Equipment charges at the end of a grant period.
- Costs for supplies, materials or animals.
  - Not allocated, not documented.
Issues Lead to

- Inefficient Project Management.
- Potential Audit Findings.

Novel Laboratory Model Reveals Clues to How Blood Starts Clotting; Nicole Rager Fuller - NSF

A Digression Into Audits

- The federal government uses various types of risk indicators regarding the management of grant funds:
  - A "Single Audit"
  - Desk Review
  - Site visits
- If risk (financial or compliance) is identified this can trigger an Office of Inspector General audit.

The Single Audit

- Sometimes referred to as a A-133 audit.
- Audits of Institutions of Higher Education and Non-profit organizations.
- Applies to recipients who expend more than $500k in one year.
- Focuses on financial and compliance issues.
The Responsibility the PI Faces

- Costs are reasonable
  - Pass the smell test
- Costs are allocable
  - To the project
- Costs are consistent
  - Treated in a similar fashion
- Costs are allowable
  - Conform to that grant or agency requirement

Mantra

- Reasonable
- Allocable
- Consistent
- Allowable
## PI Responsibility

- **The overall scientific and administrative integrity of the project, including:**
  - planning expenditures properly (whether or not he/she serves as fiscal officer);
  - training and supervising staff on the project; complying with the terms and conditions of the award.

  Source: [http://www.ospa.siue.edu/guide/chap7.html#audits](http://www.ospa.siue.edu/guide/chap7.html#audits)

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## Today: To Frame This Issue We Look at an OIG Report for…

- **A Major East Coast University**
  - 113 Purchase orders were examined; for 1 there was no documentation of the necessary approval ($6,595);
  - The auditors concluded “fraudulent or erroneous purchases could be charged to the grant as a result.”


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## Audit Themes – They Vary With Time

- Effort Reporting
- Administrative and clerical costs
- Additional compensations
- Sub recipient costs
**Items of Cost Included in Most Audits**
- Salary & Fringe Distribution
- Travel Costs
- Entertainment Costs
- Contributions & Gifts
- Lobbying Costs
- Indirect Costs & Allocation Plan
- In-kind Contributions
- Equipment
- Contracts & Subagreements
  - Source: John M. Seeba, Assistant Inspector General for Audit

**FLAGS (Audit and Otherwise)**
- Purchasing without a purchase order.
- Splitting an equipment order to achieve less demanding purchasing requirements.

- Ecological Speciation, Marcus Kronforst, Harvard University

**More Flags**
- Purchasing equipment not approved in the grant.
- Ordering from friends and relatives.
  - Conflicts of interest
Purchasing and Grants Management

- It can be hard to anticipate:
  - The bid requirements for equipment,
  - The need for competitive quotes,
  - The need for extra justifications for "official function" spending.
  - The tendency to commit without a purchase order.

Purchasing: Management Tip

- Create and IR (Internal Requisition) form for your team or your research group.
- Specify items, budget codes, comments on purpose and costs.
- This is your form.
- You must initial and date the form before it goes to purchasing.

Internal Requisition Form (Helps You Track and Keep Track)
2nd Part of the IR Form – Keeps You in the Approval Loop

Purchasing and P-cards

- Purchases of most materials and supplies, some equipment, and some services can be made with a procurement card.
- All P-card recipients must go through training.
- If you are using the card for several grant accounts, you must assign purchases to the proper grant account.
- P-cards may be dangerous and deleterious to the health of a PI!

Timeliness of Expenditures

- One word
  - Anticipate

  NIH Gallery Image
More Flags

- Co-mingling of funds:
  - Each award or project must be accounted for separately.

- Supplanting:
  - Using grant money to replace money you already have.
  - Funding a position that is already funded by the college or university.

Flags: Equipment

- Splitting an equipment order to achieve less demanding purchasing requirements.
- Purchasing equipment not approved in the grant.

- NSF funded research led to the development of the first magnetic resonance image scanner, Courtesy FONAR Corporation
Quiz:

- Equipment by definition has a dollar value of:
  - A. >$2,500
  - B. >$5,000
  - C. >$10,000
  - D. >$25,000

Equipment

- Tagging and Tracking.

More About Equipment

- The proposal itself is the place to carefully itemize equipment.
  - The grant then becomes their written approval.
- Equipment must be justified in terms of direct benefit to the project.
Equipment Management Tips

- Property Accounting and Tagging:
  - Why not make up your own tag?
  - Purchased with NSF DUE #11016626 for the Choroidal Angiography Project.
  - After all it is reserved for that project's use.
  - Watch out for off-campus use.
  - There will be regulations governing this.

Questions?

Direct Costs

- Examples:
  - Salaries and Fringe benefits
  - Supplies and Materials
  - Printing
  - Equipment
  - Travel
  - Consultants
  - Subcontracts
Indirect Costs

- Building and Equipment use.
- Facilities and Depreciation.
- Operation and Maintenance of facilities.
- Payroll, Purchasing, Accounting, etc.

I.e., Indirect = not directly attributable to project.

PI and Indirect Costs

- Not much you can do or need to do.
- Keep your eye open for costs that may be allocated to the grant that should have been covered by indirect costs.
  - Postage
  - Administrative and clerical
  - Local calls, home internet connections

- There are exceptions

Audit Tips

- Auditors look for purchased items that may already be in the indirect cost rate.
Quiz

- Which of the following items would normally be considered as part of the indirect costs and not chargeable to the grant?
  - A. Cellular or other phone lines
  - B. iPads
  - C. Bottled water
  - D. Home internet connections
  - E. All are not chargeable

Timeliness of Spending

- "In the final three months of the grant I want to purchase a GC Mass Spec" (estimated $70k.)
- Don’t rush to spend.
- Don’t rush to obligate.
- Avoid the use it or lose it syndrome.

- Liebman and Mahoney, Do Expiring Budgets Lead to Wasteful Year-End Spending? [Link](http://www.stanford.edu/~nmahoney/Research/Mahoney_Year-End_Spending.pdf)

Nevers

- Certain things are never, ever purchased with grant funds:
  - Amusement,
  - Entertainment,
  - Alcohol,
  - Lobbying,
  - Purchasing from friends or relatives.
Audit Tips: Don'ts

- Start charging another grant because this one is out of money.
- Charge the grant because there are no other funds to charge the grant to.

Audit Tip

- Use documentation to head off problems.

  Example: Travel: reasonable because presented results at a conference as required by the grant.

Participant Support

- Dino Footprints, NSF, Credit: Russell Cothren, University of Arkansas
Participant Support Costs

- Participants or Trainees, stipends, subsistence allowance, travel, registration fees, copies, tuition.
- Funds approved in the budget may not be re-budgeted to other expense categories without prior written approval of the NSF program officer.


Classifying Participant Support Costs

- Awardee organizations must be able to identify participant support costs.
  - Participant Support Costs are not a normal account classification.
- Highly recommended that separate accounts or sub-ledgers be established to accumulate these costs.
- Should have written policies & procedures.

Cost Policies Focus on Stewardship and Compliance

NIH Clinical Center, NIAMS Arthritis and Rheumatism Branch, Molecular Inflammation Section
Costs and Finances: Requirements and Corrections

- There must be a system in place to detect and correct clerical, bookkeeping or other posting entries within a reasonable timeframe.

Quiz

How often should a PI review all fiscal grant activity?
A. Monthly
B. Quarterly
C. Annually

Review of Fiscal Activity

- Monthly
  - Insures cost items are allocable and allowable.

- Federal agencies mandate having a system in place to detect and correct errors.
  - Timely review is an important part of this.
The PI should review all fiscal activity on a monthly basis.

And correct errors in 90 days.

Each Institution will handle a little differently.

As PI I specified a wrong charge center code for a software license – we did not find the error until one year later when we made the same mistake again.

I was somewhat cavalier about cost transfers; now I had to justify it.

Hello Mr. Auditor …..
**Tips and Recommendations**

- Realize you are actually transferring the expense not the funds.
- Best to avoid cost transfers all together!

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**Cost Transfers Need Documentation**

1. Why is the cost allowable, allocable and reasonable?
2. How does this expense transfer support the performance of the scope of work?
3. Why did the error occur?

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**Some Not So Good Reasons for Cost Transfers**

- To reduce an overrun.
- Spend an unused balance.
- Reasons of convenience.
<table>
<thead>
<tr>
<th>Additional Resources</th>
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<tr>
<td>NCURA, the National Council of University Research Administrators, recorded a series of short video clips eliciting &quot;wisdom&quot; on specific topics from experts in the field. This short segment presents &quot;Cost Transfers,&quot; <a href="http://www.youtube.com/watch?v=HeIFBuPtv5E&amp;feature=related">http://www.youtube.com/watch?v=HeIFBuPtv5E&amp;feature=related</a></td>
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<th>Cost Extensions</th>
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<td>The “classic” is a one year, no-cost extension.</td>
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<tr>
<td>- You typically grant this to yourself.</td>
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<tr>
<td>- At least 60 days prior to grant end.</td>
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<th>Budget Revisions</th>
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<td>There are several rules of thumb:</td>
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<td>- If less than 10% go ahead and do it.</td>
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<tr>
<td>- If greater than 10%, contact program officer and give a rationale.</td>
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<tr>
<td>- Don’t forget to notify your OSP office.</td>
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Some Things to Avoid

- Getting a budget amendment without telling your grants accounting and grants management departments.

How to Test Your System

- Think like an auditor.
- Ask your staff and research team the following questions:
  - Reasonable
  - Allocable
  - Consistent
  - Allowable.

Grants Management Success

- Know requirements (award letter, award terms and conditions, OMB Circulars.)
- Good accounting practices – accumulation & segregation of costs.
- Focus on the objectives of the project/program.
- Document approvals and conversations between the awardee and NSF program and grant officials.

Source: Charlie Ziegler, NSF Special Assistant, Cost Analysis & Audit Resolution Branch
charlie@nsf.gov
Summary

1. Cost Issues
2. PI Responsibilities
3. Costs and Audits
4. Managing Purchasing
5. Direct and Indirect Costs
6. Managing Equipment
7. Participant Support
8. Corrections and Transfers

Questions?

Image: Biomechanical Modeling, NSF/Sung-Hoe Lee, Eftychios Sifakis and Demetri Terzopoulos, University of California, Los Angeles

Important Reminder...

This Webinar is a part of the 5-part series: Grants Management—What Every PI Should Know and Do

Additional upcoming Webinars include:

- Grants Management Part 3: Key Tactics for Effective Monitoring
  Wednesday, May 9th ~ 2:00 PM - 3:00 PM EST
- Grants Management Part 4: Reporting & Revision Strategies Funders Will Applaud
  Wednesday, May 23rd ~ 2:00 PM - 3:00 PM EST
- Grants Management Part 5: Tackling Compliance Requirements Like a Pro
  Wednesday, June 6th ~ 2:00 PM - 3:00 PM EST
- Grants Management Part 2: The Ins and Outs of Costs, Purchases and Budgets
  Available On-Demand: CD-ROM, MP4 or Transcript
- Grants Management Part 1: Effort Reporting from A to Z
  Available On-Demand: CD-ROM, MP4 or Transcript

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This must-have series is based on recommendations from agencies, an analysis of Office of Inspector General reports at the NSF and NIH highlighting compliance issues, recommendations from Internal Audit experts at Universities, advice from grants management personnel and the direct experience of PIs...just like you!

Each Webinar completely covers one important facet of the grants management process, but as a series they represent a comprehensive view of the major aspects of grants management today.

Who Should Attend?

PI's, Research Teams, Grants Management, Sponsored Program Office and Administrative personnel. This series can and will catalyze a strong working relationship with grants accounting, grants management, research and the PI's team.

Meet Your Expert Presenter:

Michael Lesiecki, PhD, is the principal investigator for a large grant from the National Science Foundation’s Advanced Technological Education program. He has 27 peer-reviewed journal publications and one patent. He received his PhD in Physical Chemistry from Oregon State University.

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