BRIEFING NOTE

United States Federally Funded R&D Projects: Administrative Requirements Update July 2013

SUBJECT

TO College Research Managers; College Finance Managers
Cc College General Managers; College Deans
FROM Research Services Division

PURPOSE

To advise on key administrative requirements for recipients of research and development program funds from the United States Federal Government, in particular:

- Timesheet and salary monitoring processes
- Indirect cost monitoring and review
- Cost principles, pre and post award standards, reports

BACKGROUND

The US Government Office of Management and Budget (OMB) is responsible for establishing government-wide grants policies and guidelines which are adopted by each federal grant making agency.

The OMB Circulars most relevant to the administration of awarded funds at academic institutions include:

- A-21: Cost Principles for Educational Institutions
- A-110: Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
- A-133: Audits of Institutions of Higher Education and Other Non-Profit Organizations

The above circulars provide instructions to recipients for handling US federal funds. Principal Investigators on US federally funded projects should be aware of and ensure they comply with institutional requirements for the administration of funds, in accordance with clause 2.2 of the ANU Externally-Funded Grants, Consultancies and Contracts Policy.

In addition to the above circulars, which apply to all US federal fund expenditure, federal award agency terms and conditions will apply to specific awards and must be read in conjunction with OMB advice.

COST PRINCIPLES FOR EDUCATIONAL INSTITUTIONS

Timesheets and salary monitoring

Applicable Criteria: OMB Circular A-21, Section J.10(c)(1)(2)

- Distribution of salary under a US federally funded grant requires regular certification by the relevant principal investigator to verify that the work was performed and salaries and wages were charged as direct charges to the relevant sponsored agreement. These charges should be appropriately allocated at the time they are incurred. Re-allocation via journal should occur only in extraordinary circumstances and with the approval of Finance and Business Services.

ACTION: Principal Investigators are required to complete an Activity Record for each employee paid a salary from US federally funded project. The form will certify hours applied against the relevant project and confirm associated salary charges against the project's Special Purpose Funds account. The Form should be completed quarterly and returned to the Research Services Division for endorsement.
Cost Accounting Standards
Applicable Criteria: OMB Circular A-21, Sections C.4(b), C.10 to C.13,

- The estimation of costs in pricing a funding proposal must be consistent with the university’s cost accounting practices used in reporting costs expended.
- Direct and Indirect Costs should be allocated with consistency across like circumstances.
- Costs unallowable under a funding agreement cannot be billed or claimed against project funds.
- Funds for direct costs awarded under one project may not be transferred to other projects in order to meet deficiencies or for reasons of convenience.
- The university may account for costs annually in alignment with its established financial year.

Direct Costs
Applicable Criteria: OMB Circular A-21, Sections C.2 to C.4, D

- Direct costs must be reasonable and allocatable to project objectives, unless otherwise specifically authorised under a funding agreement. Direct costs must be applied consistently within the university to like circumstances.
- Examples of Direct Costs include salaries and on-costs of employees performing work under the funded project; costs of materials consumed or expended in the performance of the project; travel and equipment required to perform the project. The cost of services rendered by specialised facilities or service operations of the university may also be included as direct costs if they are charged under a recognised method of calculation and accounting.

Indirect Costs
Applicable Criteria: OMB Circular A-21, Section E; NIH Grant Policy Statement Section 16.6

- Indirect costs are costs incurred for common or joint objectives which cannot be identified readily or specifically with a particular project. They may also be referred to as Facilities and Administration (F&A) costs or overheads, and are an allowable cost under US federal funding agreements.
- “Facilities” is defined as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses.
- “Administration” is defined as general administration and general expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically under one of the subcategories of Facilities.
- Projects funded by the National Institutes of Health (NIH) are limited to F&A costs of 8% (applied to total direct costs minus equipment) for foreign institutions. These funds are provided to support the cost of compliance with NIH requirements.

NOTE: The ANU does not have an approved indirect cost rate for US federal funding purposes with a cognizant agency. Currently indirect costs rates are negotiated with individual agencies on a cases-by-case basis. A minimum indirect cost rate of 30% applied to direct academic staff costs, including on-costs, can be justified on the basis of the costs of basic infrastructure and administrative support from ANU service divisions.

Allowable and Unallowable Costs
Applicable Criteria: OMB Circular A-21, Section J

- The OMB provides a list of general provisions for costs allowable as direct or indirect costs at Section J.
- Examples of allowable costs include equipment, professional services, transportation.
- Examples of unallowable costs include alcohol, entertainment costs, lobbying, marketing.
UNIFORM PRE AND POST AWARD REQUIREMENTS

Standards for Financial Management Systems
Applicable Criteria: OMB Circular A-110, Subpart C.21

The university complies with requirements under OMB Circular A-110 Subpart C.21 as per the following:

- The university maintains standards for financial management systems through the Special Purpose Funds Policy and Special Purpose Funds Procedure.
- The university requires external funding arrangements to be entered into with a proper understanding of the costs of the work to the university, and provisions for recovery of those costs, through the Externally-funded Grants, Consultancies and Contracts Policy.
- The Procedure for allocating interest to Special Purpose Funds is contained in the Special Purpose Funds Procedure, and allows for interest to be treated as required under specific funding agreements.

Payments
Applicable Criteria: OMB Circular A-110, Subpart C.22

- Funds paid in advance must:
  - be limited to the minimum amounts needed in accordance with the actual immediate cash requirements of the university in carrying out the funded project;
  - be distributed as soon as administratively feasible to applicable costs;
  - be retained in interest bearing accounts; and
  - where generating interest greater than US$250 pa, return the interest amount annually to the Department of Health and Human Services.

- Funds paid on a reimbursement basis will be paid within 30 days of the appropriated Federal awarding agency’s receipt of an appropriate invoice.
- Funds payment in advance or reimbursement will require submission of a SF-270 Request for Advance of Reimbursement Form

Cost Sharing
Applicable Criteria: OMB Circular A-110, Subpart C.23

- Cost sharing or matching is defined as that portion of the project or program costs that are not borne by the US Federal Government. It must be more than a token amount, but can incorporate cash or third-party in-kind.
- Acceptable Cost Sharing must be:
  - verifiable and documented in recipient records;
  - not included as contributions to any other US federally assisted project or provided under other US federal funds;
  - necessary and reasonable for completion of project objectives;
  - allowable under the applicable cost principles; and
  - provided for in the project budget.
- Unrecovered indirect costs may only be included as cost sharing with prior approval of the relevant Federal award agency.
- Additional guidance on cost principles as applied to cost sharing is found in Subpart C.23 (c) to (h)

Program Income
Applicable Criteria: OMB Circular A-110, Subpart C.24

- Program Income applies to funds earned in a project period, such as conference registration fees; products or materials purchased on award and sold after research is completed; or sale of information acquired under the award.
- Unless specified otherwise in the terms and conditions of award, program income can be retained by the recipient, but must be used to further project objectives and be reported against such use.
Revision of budget and program plans
Applicable Criteria: OMB Circular A-110, Subpart C.25

- Recipients are required to report deviations from budget and program plans and request prior approval for any of the following revisions:
  - change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval);
  - change in a key person specified in the application or award document;
  - the absence for more than three months, or a 25% reduction in time devoted to the project, by the approved project director or principal investigator;
  - the need for additional US Federal funding;
  - the transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa;
  - the transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense;
  - adding a subcontract not described in the funding application and approved award.

- Notwithstanding the above, Federal awarding agencies may allow for the following in their specific terms and conditions without prior approval:
  - recipients may incur pre-award costs 90 calendar days prior to award or more than 90 calendar days at own risk (if the award is not realised or inadequate to cover costs expended, this will not be covered by the awarding agencies);
  - initiate a one-time extension of the expiration date of the award of up to 12 months at least 10 days before the expiration date and if not merely for the purpose of using unobligated balances; and
  - carry forward unobligated balances to subsequent funding periods.

- Federal awarding agencies shall require recipients to notify the Federal awarding agency in writing whenever the amount of authorised funds is expected to exceed needs for the project period by more than US$5,000 or five percent of the Federal award, whichever is greater.

- When requesting approval for budget revisions, recipients shall use the budget forms that were used in the application unless the Federal awarding agency indicates a letter of request suffices.

Monitoring and reporting program performance
Applicable Criteria: OMB Circular A-110, Subparts C.51 to C.52

- Performance reports:
  - shall not be required more frequently than quarterly, or less frequently than annually;
  - annual reports shall be due 90 calendar days after the grant year;
  - quarterly or semi-annual reports shall be due 30 days after the reporting period;
  - final performance reports shall be due 90 calendar days after the expiration or termination of the award; and
  - recipients shall immediately notify the Federal awarding agency of developments that have a significant impact on the award-supported activities, and/or in the case of problems, delays, or adverse conditions which materially impair the ability to meet the objectives of the award. This notification shall include a statement of the action taken or contemplated, and any assistance needed to resolve the situation.

- Financial reporting requirements will be advised by relevant Federal awarding agencies in their terms and conditions.

Closeout
Applicable Criteria: OMB Circular A-110, Subparts C.71

- The recipient shall promptly refund any balances of unobligated cash that the Federal awarding agency has advanced or paid and that is not authorised to be retained by the recipient for use in other projects.
- The Federal awarding agency may make a settlement for any upward or downward adjustments to the Federal share of costs after closeout reports are received, including the recovery of disallowances.
Sub-recipient monitoring
Applicable criteria: OMB Circular A-133, Subpart D.400(d)

- Where the ANU is a direct recipient of US Federal award funds, and subcontracts activities to a third party (sub-recipient), the following must be covered through contractual arrangements:

  1. Identification of relevant US Federal awards made by CFDA title and number, award name and number, award year and name of Federal agency. When some of this information is not available, the best information available to describe the Federal award shall be included.
  2. General and specific requirements imposed on sub-recipients by US Federal laws and regulations where applicable, and the provisions of contracts or grant agreements.
  3. The ability to monitor the activities of sub recipients as necessary to ensure that US Federal awards are used for authorised purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
  4. Assurance that sub recipients expending US$300,000 ($500,000 for fiscal years ending after December 31, 2003) or more in US Federal awards during the sub recipient's fiscal year have met the audit requirements of this part for that fiscal year.
  5. The ability to issue a management decision on audit findings within six months after receipt of the sub recipient's audit report and ensure that the sub recipient takes appropriate and timely corrective action.
  6. The ability to consider whether sub recipient audits necessitate adjustment of the ANU’s own records.
  7. The requirement for each sub recipient to permit the ANU and its auditors to have access to the records and financial statements as necessary for ANU entity to comply with its obligations.

- Where establishing a sub-recipient contract for activities funded through a US Federal award, staff will liaise with the ANU Legal Office to ensure these A-133 requirements are included.

FLY AMERICA ACT
Applicable Criteria: 41 CFR 301-10 Transportation Expenses (301.10.131 through 301-10.143)

The Fly America Act requires the use of United States Air Carriers for travel that will be reimbursed from US federal grants and contracts.

Travel that is to be reimbursed from federal grants and contracts must be booked through U.S. carriers except in the following circumstances:

- When the use of US carrier service would extend travel time (including delay at origin) by 24 hours or more;
- When the costs of transportation are reimbursed in full by a third party, such as a non-US government or an international agency;
- When US carriers do not offer nonstop or direct service between origin and destination. However, a US carrier must be used on every portion of the route where it provides service unless, when compared to using a foreign air carrier, such use would:
  - Increase the number of aircraft changes outside the United States by two or more
  - Extend travel time by at least six hours or more
  - Require a connecting time of four hours or more at an overseas interchange point; or
- When an Open Skies agreement is in place. The US Government currently has four Open Skies Agreements that allow federal funded travel on a foreign carrier: European Union (EU), Japan, Switzerland, and Australia. Depending on the Open Skies Agreement, the use of a non-US carrier is allowable when transportation is between the US and any point in the member state or between two points outside the US provided that funding is not provided by the Secretary of Defense or the Secretary of a military department. In addition, the following conditions must be met:
No City-Pair fare exists (EU agreement). Review the fare finder.

- A traveler may travel to any point outside the U.S., however, must land in a point in a member state before traveling beyond the member state (EU agreement).

No City-Pair fare exists (Japan/Switzerland/Australia). Review the fare finder.

Note: When no city pair exists, the fare finder response reads, “There are no awards for the requested city pair.”

Note: When one or more of the above circumstances apply, an explanation indicating the appropriate exception must be provided.

- Code-sharing agreements with non-US air carriers comply with the Fly America Act Regulations. The ticket, or documentation for an electronic ticket, must identify the US carrier's designator code and flight number generally stated as “U.S. Air Carrier flight XXXX operated by Foreign Air Carrier.”

Note: Some funding sources may not recognise code-sharing as being compliant with Fly America Act regulations, and as such the terms and conditions of each award must be examined against this.

AUDITS OF INSTITUTIONS OF HIGHER EDUCATION

Applicable Criteria: OMB Circular A-133

- Compliance against these above noted criteria will be evaluated in an annual audit of Program Expenditures for Research and Development funded by United States of America Federal Awards.