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Fundamentals of Sponsored Projects Administration

ACP Principal Investigators & Officers

April 2014



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Today's Training Goal

Focus

This session will focus on understanding the scope of Sponsored Projects Administration and the fundamentals that apply to award management at the Aspen Center for Physics (ACP).



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Today's Training Goal

Objectives

- Enhance the understanding of overall roles and responsibilities for sponsored project management at ACP
- Review the administrative responsibilities of the Officers for award management
- Provide insight into ACP's award management operations
- Identify sponsored project cost types and understand the administration of these costs at ACP



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Sponsored Projects Introduction & Background



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Introduction & Background

What is a Sponsored Project?

- A sponsored project describes activities for which funding is received by a source outside of the Center
- Programs support the Center's objectives and programs and are usually awarded as grants
- Generally involve a detailed level of financial accountability, including statements of work, project periods, budgets, audits, reporting, etc.
- Sponsored projects in the form of grant or contracts are generally called "Awards"



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Introduction & Background

What is Sponsored Project Administration?

- Sponsored Project Administration refers collectively to administrative activities taking place at the Center from proposal inception to project completion of a sponsored program
- Sponsored Project Administration includes acronyms, abbreviations & other “terms of the trade”
 - The Appendix includes a Glossary of Common Terms



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Introduction & Background

Common ACP Sponsor-Types and Sponsors

- **Federal Sponsors:**
 - National Science Foundation (NSF)
 - Department of Energy (DOE)
 - National Aeronautics and Space Administration (NASA)
 - Office of Naval Research (ONR)
 - National Institutes of Health (NIH)
- **State Sponsors:**
 - State of Colorado
- **Foundations:**
 - Moore Foundation
 - Simons Foundation
 - Nick De Wolf Foundation
- **Industry:**
 - Nikon
 - Chroma
 - Merck



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ACP's Sponsored Project Administration

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ACP Sponsored Project Administration

Stakeholder	Role
Principal Investigator	Responsible for the overall fiscal and technical execution of the project.
Administrative Staff	Responsible for supporting the PIs in the administrative and operational tasks required for award management.
Officers	Responsible for oversight of the Center's operations (including sponsored award management) and ensuring the Center has an appropriate environment of compliance.



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Strategies for Compliance at ACP

Developed from the 8 Elements of an Effective Compliance Program*

- Explicit written policies and procedures
- Adequate institutional oversight of the compliance function with appropriate authority and expertise
- Procedures, resources, and systems to facilitate compliance
- Training and on-going education opportunities
- Open, effective lines of communication
- Regular monitoring, oversight and quality review checks and audits to test compliance
- Mechanisms to take corrective action when needed and communicate results

Officers are charged with ensuring ACP uses these strategies to be maintain compliance.

10 **The HHS Office of the Inspector General (OIG) identified these eight elements as necessary for a comprehensive compliance program. These same elements can broadly apply to strategies for compliance at ACP impacting NSF and other sponsored awards.*



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The Role of the Officer at ACP

It is important to manage compliance risk to avoid the substantial pitfalls that come along with audit reports, findings, and investigations.

With increasing complexity in federal regulations, it is imperative for ACP, supported and directed by its officers, to proactively manage the research enterprise, balancing risk, compliance and ACP's mission to foster scientific collaboration and new ideas.



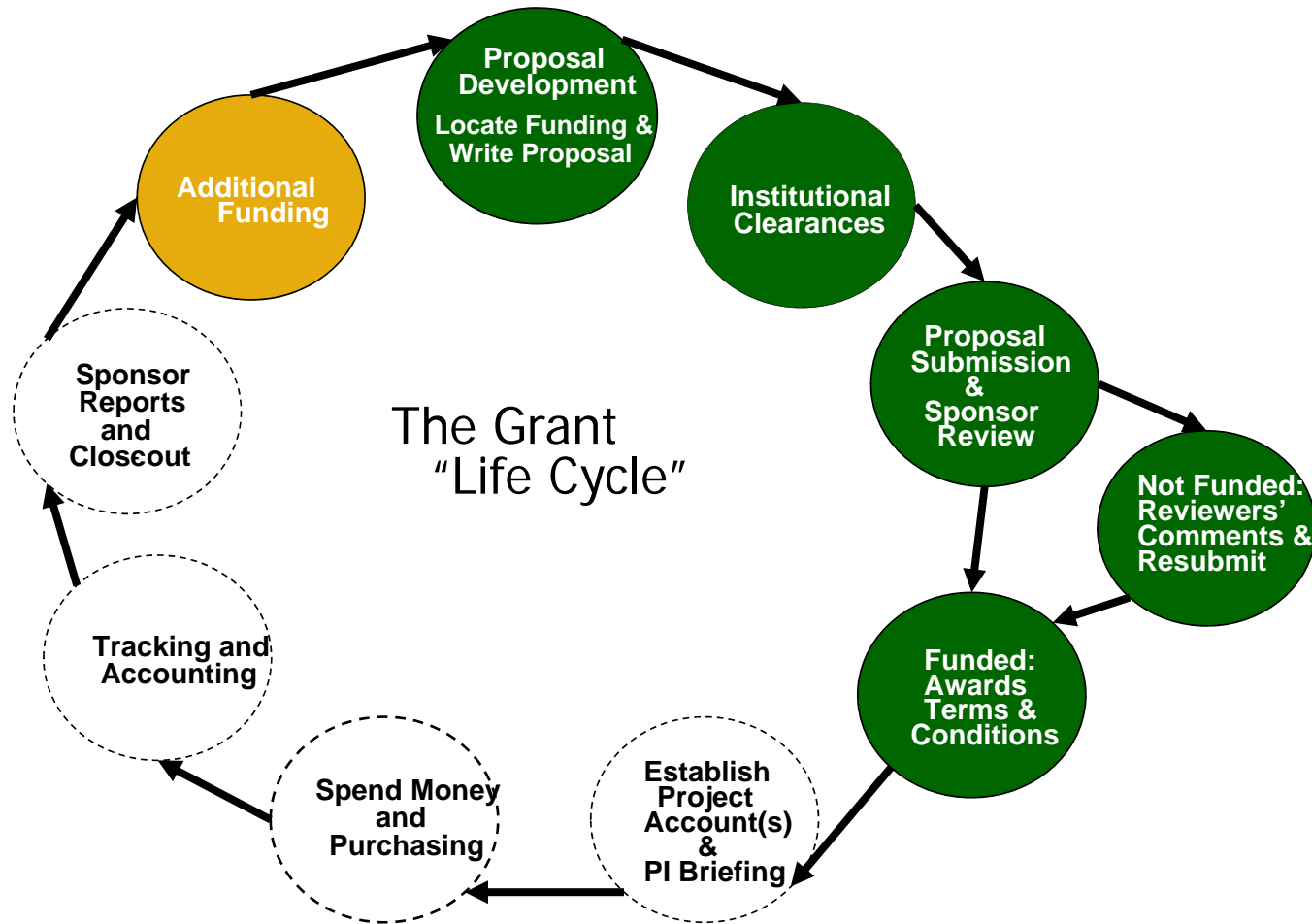
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The Award Life Cycle



The Award Life Cycle

Sponsored Projects: The Award Life Cycle





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The Award Life Cycle

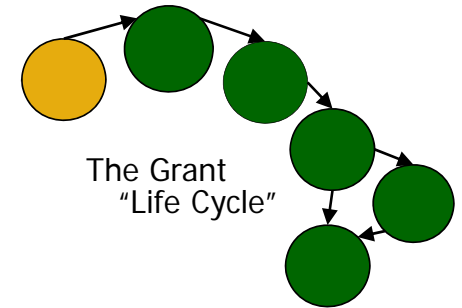
The Pre-Award Life Cycle

- **Proposal Development**

- Appoint a proposal development committee and chair
 - Typically formed 2-years in advance of the proposal deadline
- Gather information to build proposal for submission
 - Committee focuses on technical development
 - Finance Manager and Corporate Treasurer (Officer) focus on budget development

- **Institutional Clearances**

- Proposal Review
 - Board reviews proposal and agrees to move forward with submission





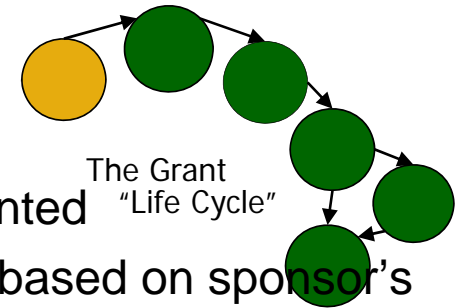
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The Award Life Cycle

The Pre-Award Life Cycle

- **Proposal Submission and Sponsor Review**

- Sponsor reviews and determines if award is to be granted
- If award is not granted, proposal may be resubmitted based on sponsor's guidelines



- **Funded: Award Terms and Conditions Outlined**

- Negotiate terms and conditions (period of performance, budget, payment terms, reports/deliverables, etc.)
 - Less frequent occurrence at ACP

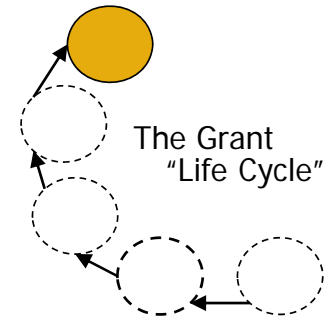


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The Award Life Cycle

The Post-Award Life Cycle

- **Establish Project Account and PI briefing**
 - Accounts are established in accounting system so costs can be tracked separately
 - Finance Manager completes the award set-up
- **Spend Money and Purchase Items**
- **Tracking and Accounting**
 - Administrative Staff, PI and Officers ensure the award is being spent appropriately and is within budget restraints
- **Sponsor Reports and Close-out**
 - Financial reports are submitted
 - Close-out for the financial system (freeze account)
- **Additional Funding**
 - Proposals for additional funds may be submitted





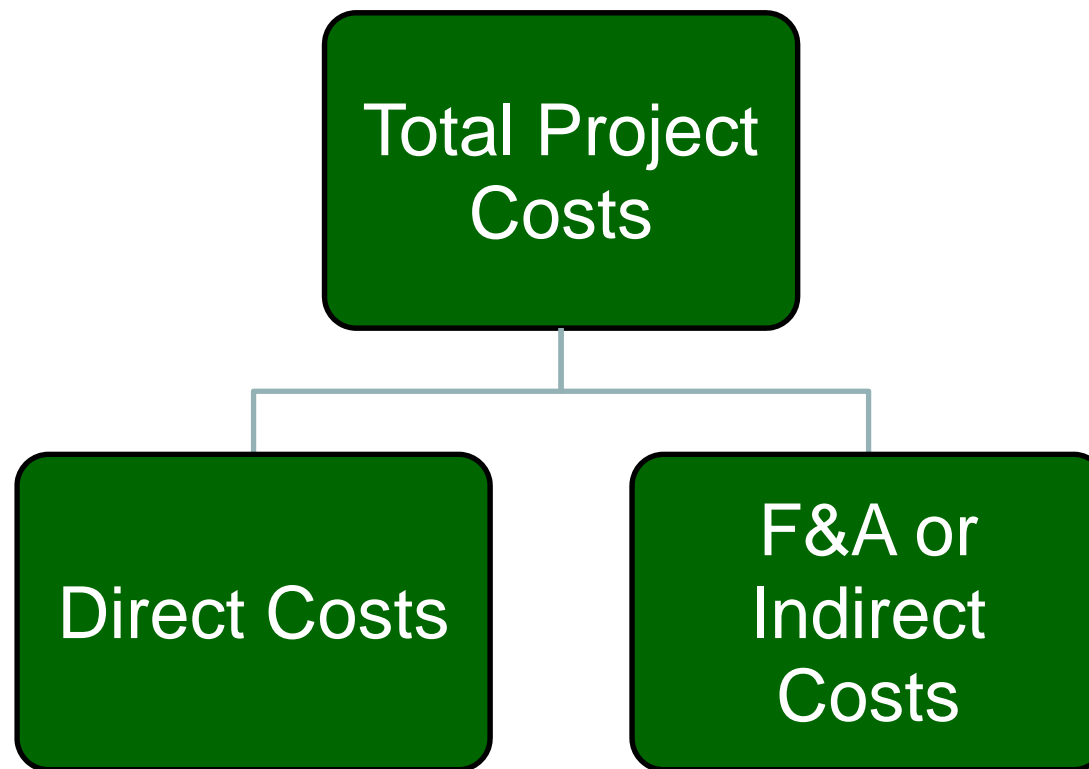
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Sponsored Project Costs



Sponsored Project Costs

All Costs can be Divided into Two Key Categories...





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Sponsored Project Costs

Two Types of Costs Defined

Cost	Common ACP Types/ Purpose
<p>Direct Costs</p> <p>Those costs that can be identified specifically with a particular sponsored project or that can be directly assigned to an activity relatively easily with a high degree of accuracy.</p>	<ul style="list-style-type: none"> •Participant Support: Subsidies and other funds to help defray the cost of participating in ACP programs •Public Lectures: Costs associated with conducting public outreach lectures
<p>Facilities & Administrative Costs (Indirect Costs)</p> <p>Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project or other activity.</p>	<p>Items Normally Treated as Indirect (or IDC) Costs:</p> <ul style="list-style-type: none"> •Facilities, operations and maintenance, utilities and capital interest •Center-wide administrative activities (HR, payroll, accounting, executive management) •Sponsored projects administration •Library operations



Sponsored Project Costs

Direct vs. Indirect Costs

- By definition, costs that cannot be easily allocated to support a specific project are indirect costs:
 - ✓ Administrative Salaries
 - ✓ General Office Supplies
 - ✓ Postage
 - ✓ Computers
 - ✓ Telephone Service
- These costs are already included in the “Indirect Costs”
- There are some exceptions – Unlike Circumstances
 - ✓ More to come...



Sponsored Project Costs

Other Key Vocabulary Terms

Cost	Common ACP Types/ Purpose
<p>Participant Support</p> <p>Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances and registration fees paid to or on behalf of participants or trainees in connection with meetings, conferences, symposia or training projects.</p>	<p>The majority of direct costs awarded to ACP by the NSF:</p> <ul style="list-style-type: none"> •Summer Program: Housing Subsidies •Winter Conference: Funds awarded to specific Participants at the discretion of the conference organizers
<p>Program Income</p> <p>Program income means gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award</p>	<p>Because Participant Support and indirect costs are funded by the NSF, Registration Fees paid by supported individuals are treated as Program Income:</p> <ul style="list-style-type: none"> •Used via the Additive Method: Registration Fees can be reinvested in the project and Center activities: <ul style="list-style-type: none"> ○ Public Lectures ○ Additional Participant Support ○ Indirect Costs



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Regulations Guiding Award Costs: OMB Circular A-122



OMB Circular A-122

Introduction

- This Circular establishes principles for determining costs applicable to grants, contracts, and other agreements with non-profit organizations
 - Defines the financial framework for administering Federally sponsored research
 - Describes the basis for calculating facilities and administrative costs
 - Provides a reference section for determining how to charge specific, common costs
 - Familiar to most research personnel
- This regulation outlines how to use Federal Sponsored Project dollars



OMB Circular A-122

Cost Principles

Term	Definition
Allowable	Items not restricted by federal regulations (such as OMB A-122) or the <u>specific</u> grant
Reasonable	Goods or services acquired and amount involved reflect an action a prudent person would have taken
Allocable	Benefits the project that was charged
Treated Consistently	Like costs in similar instances need to be treated consistently throughout the Institution

Costs that do not meet these standards should not be charged to the project



OMB Circular A-122

Cost Principles: Reasonable

- A cost is reasonable if:
 - A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. (OMB Circular A-122)
- Considerations in determining reasonableness:
 - Cost is necessary for the operation of the institution or performance of an award
 - Cost is consistent with institutional policies





OMB Circular A-122

Cost Principles: Allocable

- A cost is allocable if:
 - The goods or services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received
 - Incurred for the benefit of only one project or can be readily assigned to multiple projects which benefit from cost
- Considerations in determining if the cost is allocable:
 - It is incurred solely to advance the work under the sponsored award
 - It benefits both the sponsored award and other work of the institution
 - It is necessary to the overall operation



OMB Circular A-122

Cost Principles: Allowable and Consistently Treated

- A cost is allowable if:
 - It conforms to any limitations or exclusions set forth in the regulations that govern the award (A122, A110, institution or system policies, etc.) or in the sponsored award
- A cost is treated consistently if:
 - The costs incurred for the same purpose, *in like circumstances*, are either direct costs only or F&A costs only with respect to final cost objectives. This assures that the same types of costs are not charged to awards both as direct costs AND as indirect costs



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OMB Circular A-122

Considering Unlike Circumstances

- Unlike Circumstances exist when a sponsored project or activity, due to its size and/or nature, requires administrative or clerical services, supplies, postage, etc. that are well beyond the core of departmental support routinely provided for departmental activities
- Examples:
 - Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, etc.
 - Projects that involve extensive travel and conference coordination

Case Study Scenario: Alternate Example

Will you paint my house?

The Deal:

\$20 per hour (Direct & Indirect Costs)

+ Paint and supplies

The Invoice:

\$1,000 labor (no hourly support)

\$250 paint

\$42 stamps

\$49.95 oil change for truck

\$400 new ladder

\$125 subscription to "Painters Annual"





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OMB Circular A-122

Emphasis on Consistency

- Identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of sponsored agreements.
- What counts is not what is it but how it is used!



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In Summary....



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Sponsored Projects

Actively Manage the ACP's Compliance

- A proactive approach to creating a compliance program will allow ACP to manage its compliance risk without imposing unnecessary constraints on the operations
- The accountability and clarity of a strong compliance program will support Officers' leadership of ACP
- The right types of internal controls will help ACP mitigate risk



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Appendix A: Common Terms in Grants Administration



Appendix A

Common Terms

- **Sponsor:**
 - Funding Agency that provides financial support for specific purpose, usually research-related
 - Ex: NIH, Pharmaceutical Companies, State & Local Governments, Private Foundations
- **Application/Proposal:**
 - Request for financial support of a project submitted on specified forms in accordance with sponsor's instructions
 - Generally includes: Cover page w/title of proposal, PI, Institution, start and end dates, funds requested; Definition of problem or need; Summary of proposed project; Budget
- **Award:**
 - The provision of funds by a sponsor, based on an approved application and budget, to an organizational entity or an individual to carry out an activity or project.
 - At universities, the award is made to the university, not to the specific PI



Appendix A

Common Terms

- **Principal Investigator (PI)/ Project Manager:**
 - An individual designated by the grantee and approved by the sponsor to direct the project or activity being supported by the grant.
 - He or she is responsible and accountable to the grantee for the proper conduct of the project or activity.
 - designated by the grantee, and approved by NSF, who will be responsible for the scientific or technical direction of the project.
- **Co-Investigator:**
 - An individual (along with the principal investigator) sharing in the scientific development or execution of a project
 - The designation of a co-investigator, if applicable, does not affect the principal investigator's roles and responsibilities
- **Key Personnel:**
 - Individuals who contribute in a substantive way to the scientific development or execution of a project, whether or not they receive compensation from the grant supporting that project.
 - The principal investigator and collaborators are included in this category.



Appendix A

Common Terms

- **Project Period:**
 - The total time for which support of a project has been programmatically approved
 - Typical project period = 5 year
- **Budget Period:**
 - The intervals of time (usually 12 months each) into which a project period is divided for budgetary and funding purposes
 - Budget period can begin on any date of the year
 - Typical budget period = 1 year
- **Notice of Award (NOA):**
 - The legally binding document that notifies the grantee and others that an award has been made, contains or references all terms and conditions of the award, and documents the obligation of sponsor funds
 - The award notice may be in letter format and may be issued electronically



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Appendix B: Regulations Guiding Award Costs: OMB Circular A-110



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Appendix B: OMB Circular A-110

Introduction

- Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
 - Subpart A - General
 - Subpart B – Preaward Requirements (forms for application, special award conditions, etc.)
 - Subpart C – Postaward Requirements (financial management, cost sharing, allowable costs, period of availability of funds, etc.)
 - Subpart D – After the Award Requirements



Appendix B: OMB Circular A

Subpart A - General

- Definitions
 - Accrued Expenditures
 - Award
 - Cost Sharing
 - Unobligated Balance
- Effect on other issuances
 - Any regulation, program manual, or handbook which is inconsistent with the requirements of this Circular shall be superseded
- Deviations
 - OMB has the authority to grant exceptions to the requirements of this Circular
- Subawards
 - Provisions of this Circular shall be applied to subrecipients performing work under the award(s)



Appendix B: OMB Circular A

Subpart B – Preaward Requirements

- Preaward policies
 - Notification to the Federal agencies regarding type of award instrument to be used when issuing awards (grant, cooperative agreement, or contract)
- Forms and instructions for applying for Federal assistance
 - Standard Form (SF)424 - Application for Federal Assistance
 - “Controlling Paperwork Burden on the Public”
- Compliance requirements
 - Debarment and suspension
- Special award conditions
 - Federal agencies may impose additional requirements if applicant or recipient has
 - History of poor performance
 - Not financially stable
 - Not conformed to terms and conditions of a previous award



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OMB Circular A-110

Subpart C – Postaward Requirements

- Prescribes standards for financial management systems
- Establishes prior approval requirements
 - Changes in scope
 - Changes in key personnel
 - Absence of PI for > 3 months or 25% reduction in time
 - The need for additional Federal funding
 - Transfer of budgeted amounts between categories
 - Transfer of funds allocated for trainee to other cost categories
 - Subaward, transfer, or contracting out of any work under an award
- Authorizes Federal agencies to allow
 - 90 day preaward costs
 - One time, no cost extension
 - Carryforward of unobligated balances from the prior year of funding

Appendix B: OMB Circular A-110

Subpart C – Postaward Requirements (continued)

- Discusses A-133 audit requirements
- Discusses allowable costs (OMB Circular A-122)
- States that a period of availability of funds shall be defined
- Property Standards
 - Insurance requirements
 - Equipment title
- Procurement Standards
 - Recipient shall establish written procurement procedures
 - Small business, minority owned firms, women’s business enterprises are used to the full extent possible
 - Contract shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement

Appendix B: OMB Circular A-110

Subpart C – Postaward Requirements (continued)

- Reports and Records
 - Procedures for monitoring and reporting on the recipient’s financial and program performance; Record retention and access requirements
- Termination and Enforcement
 - Circumstances for early termination
 - Enforcement – The awarding agency may:
 - Withhold payments
 - Disallow costs
 - Withhold further awards

Appendix B: OMB Circular A-110

Subpart D – After the Award Requirements

- Closeout procedures
 - 90 calendar days after completion
 - Financial reports are due
 - Performance reports are due
 - Other reports as required by Federal agencies may be due
 - Requires Federal agencies to make prompt payments
 - Requires recipients to make prompt refunds of unobligated balances, if applicable
- Closeout of the award does NOT affect
 - Federal agencies ability to disallow costs and recover funds for those disallowed costs
 - The obligation of the recipient to return funds as the result of refunds or corrections
 - Audit requirements
 - Record retention



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Appendix C: Regulations Guiding Award Audits: OMB Circular A-133

Appendix C: OMB Circular A-133

Introduction

- Provides standards for consistency and uniformity in the auditing of states, local governments and non-profit organizations expending Federal funds
- Key Points from the circular
 - Who is required to have an audit conducted?
 - Who is exempt from having an audit conducted?
 - What is the frequency?
 - Must comply with GAGAS (Generally Accepted Government Auditing Standards)
 - Must comply with GAAP (Generally Accepted Accounting Principles)
 - Must comply with regulations stated in OMB Circulars (A122, A110, A133)
 - The auditee shall provide reasonable assurance that they are managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements

Appendix C: OMB Circular A-133

Introduction

- Key Points from the circular
 - In selecting an auditor, the auditee shall follow the procurement standards (described in OMB A-110)
 - The auditee shall prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited
 - The auditee is responsible for follow-up and corrective action on all audit findings
 - The auditee shall keep a summary schedule of prior audit findings
 - All auditees shall submit report to the Federal clearinghouse designated by OMB
 - Auditees shall keep one copy on file for three years from the date of submission
 - Submission is required by subrecipients
 - Pass-through entities shall keep subrecipients' submissions on file for 47 three years from date of receipt



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Appendix D: Federal Websites



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Appendix D

Federal Websites

- Office of Management and Budget
<http://www.whitehouse.gov/omb/>
- OMB Circular A-122
http://www.whitehouse.gov/omb/circulars_a122_2004
- OMB Circular A-110
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- OMB Circular A-133
<http://www.whitehouse.gov/omb/circulars/a133/a133.html>



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Appendix D

Other Regulatory Guidelines

- **Federal Acquisition Regulations (FAR)**
 - The FAR was established to codify uniform policies for acquisition of supplies and services by agencies of the federal government.
 - Website: <http://www.acqnet.gov/far/>
- **NSF Award and Administration Guide**
 - The Award and Administration Guide (AAG) is a compilation of basic NSF policies and procedures for use by the grantee community and NSF staff. Its coverage includes the NSF award process, from issuance and administration of an award through closeout.
 - Website: http://www.nsf.gov/pubs/policydocs/pappguide/nsf14001/aag_index.jsp
- **NIH Grants Policy Statement**
 - The National Institutes of Health Grants Policy Statement (NIHGPS) is intended to make available to NIH grantees, the policy requirements that serve as the terms and conditions of NIH grant awards.
 - Website: <http://grants.nih.gov/grants/policy/policy.htm#gps>.