

EFFECTIVE MANAGEMENT PRACTICES FOR SPECIFIC PROCESSES



Office for Research Compliance & Integrity
University of Puerto Rico

AGENDA



1. Basics Concepts
2. Procurement
3. Property Management
4. Time and Effort Reporting
5. Risk Monitoring



1. Basic Concepts

Permissibility of Costs





Basics Concepts - Reasonableness

§200.404 - Reasonable costs - A cost is reasonable if, in its nature and 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 cost.

Ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.



Basics Concepts - Allocability

§200.405 Allocable costs - A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.



Basics Concepts - Direct Costs

§200.413 Direct costs.

- **Can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that**
- **Can be directly assigned to such activities relatively easily with a high degree of accuracy**



Basics Concepts - Indirect Costs

§200.56 Indirect (F&A) costs

- Indirect (F&A) costs means those costs incurred for a common or joint purpose benefiting more than one cost objective,
- Not readily assignable to the cost objectives specifically benefited,
- Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.



Basics Concepts - Allowability

§200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- **Necessary, Reasonable and Allocable**
- **Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.**
- **Conform to any limitations or exclusions**
- **Consistent treatment between direct and indirect costs**
- **GAAP (except governments)**
- **Cannot be used as cost share.**
- **Be adequately documented**

“ True procurement success is more than the conventional notions of delivering cost savings ”

Procurement Mojo; Sigi Osagie

2. PROCUREMENT

Allowability of Costs



Procurement Impact on Allowability of Costs

- **Purchases funded by federal grants must adhere to Uniform Guidance**
- All purchases using federal funds require a cost/price analysis and documentation showing that more than one vendor was considered.
- **The detail of the analysis and documentation required increases with the amount spent.**



Procurement Impact on Allowability of Costs

- The mission of the procurement process is to provide the University access to the **highest value of goods and services in a manner consistent with the University's mission, ensuring stewardship, quality, best practices, compliance and education.**



Procurement Impact on Allowability of Costs

■ Certification num. 36 2018-2019 - New UPR's Procurement Regulation. supersede Certification num. 30 2008-2009

- ▶ Article 15.A.2 - Specialized Equipment Purchases - If the price of the equipment to be purchase is between **\$3,000.00 and \$150,000.00** the applicable process is, **informal bidding**. (At least 3 quotes).
- ▶ There is no need to proceed with a formal bidding process.



2.PROCUREMENT

Object Codes Management



Object Codes Management

- **6000 – 6057** Materials
- **6080 – 6083** Replacement parts and accessories for equipment repairs
- **6100 – 6122** Maintenance expenses
- **7000 – 7499** Equipment
- **7600 – 7699** Capital Equipment



3. PROPERTY MANAGEMENT

Yearly Departmental Inventories



Yearly Departmental Inventories

Required annually by institutional policy for:

- **Updating the information** regarding all equipment register in the Fixed Asset System
- **Reconcile** accounting records to property/purchasing records
- Indispensable for **auditing processes** (e.g. Single Audit)



3. PROPERTY MANAGEMENT

Equipment Registration on Fixed Assets System



Equipment Registration on Fixed Assets System

Registration of new equipment on the fixed asset module on a timely manner is critical for:

- Comply with **federal requirements**
- Appropriate handling of **depreciation charges**
- Indispensable for **auditing processes** (e.g. Single Audit).



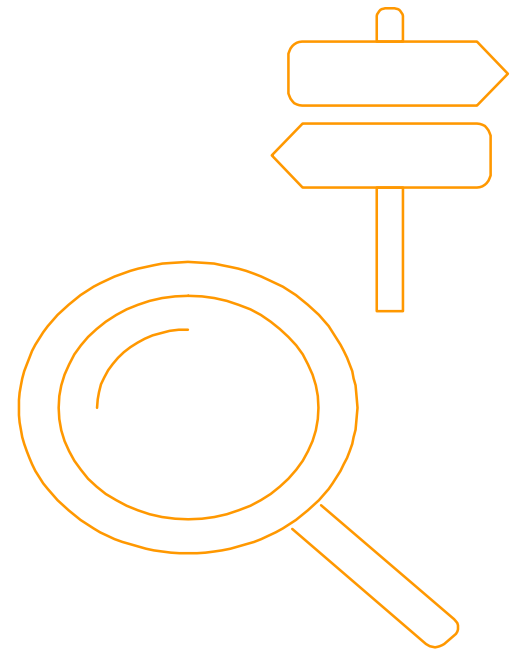
4. Time and Effort Reporting





2 CFR 200.430

Compensation—personal services.





Definitions - Compensation for Personal Services

- **Includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits.**
- **Reasonable**
- **Written policies consistently applied to federal and non-federal**
- **will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity.**
- **comparable to that paid for similar work in the labor market**



Definitions - Institutional Base Salary (IBS)

- **IBS is defined as the annual compensation paid by an IHE for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities.**
- **Charges of a faculty member's salary to a Federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award**

“ *Is Time & Effort reporting a federal requirement for sponsored agreement?* ”



Answer: Not Really

- Under OMB A-21 Time & Effort Reporting (activity reports) was a requirement in itself.
- Under UG the requirement is to have internal controls that adheres to certain defined **Standards for Documentation of Personnel Expenses**



Standards for Documentation of Personnel Expenses

Standard

Be supported by a system of internal control

Be incorporated into the official records

Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100%

T&E complies because...

Enforces review of charges

T&E is part of the Official records

T&E collects all activities under IBS and is based on 100%



Standards for Documentation of Personnel Expenses

Standard

Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis

Comply with the established accounting policies and practices of the non-Federal entity

T&E complies because...

Precisely the point of T&E reports

T&E reports use institutional accounting data



Standards for Documentation of Personnel Expenses

Standard

Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works

Budget estimates

- reasonable approximations
- Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner

T&E complies because...

Part of the design of T&E

T&E does not handle budget estimates (payroll distribution).



Standards for Documentation of Personnel Expenses

Standard

Review after-the-fact interim charges

records may reflect categories of activities expressed as a percentage distribution of total activities

T&E complies because...

After the fact approval

Part of the design of T&E



Standards for Documentation of Personnel Expenses

Standard

teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for IHEs, **a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.**

T&E complies because...

T&E reflects reasonable distribution



125A is no more...

- ORCI 2018-2019 02 - eliminated the requirement of the 125A as part of the T&E reporting process.
- LD-T002 contains all the elements.
- Streamline process, minimize errors.



Be Aware...

CORRECT

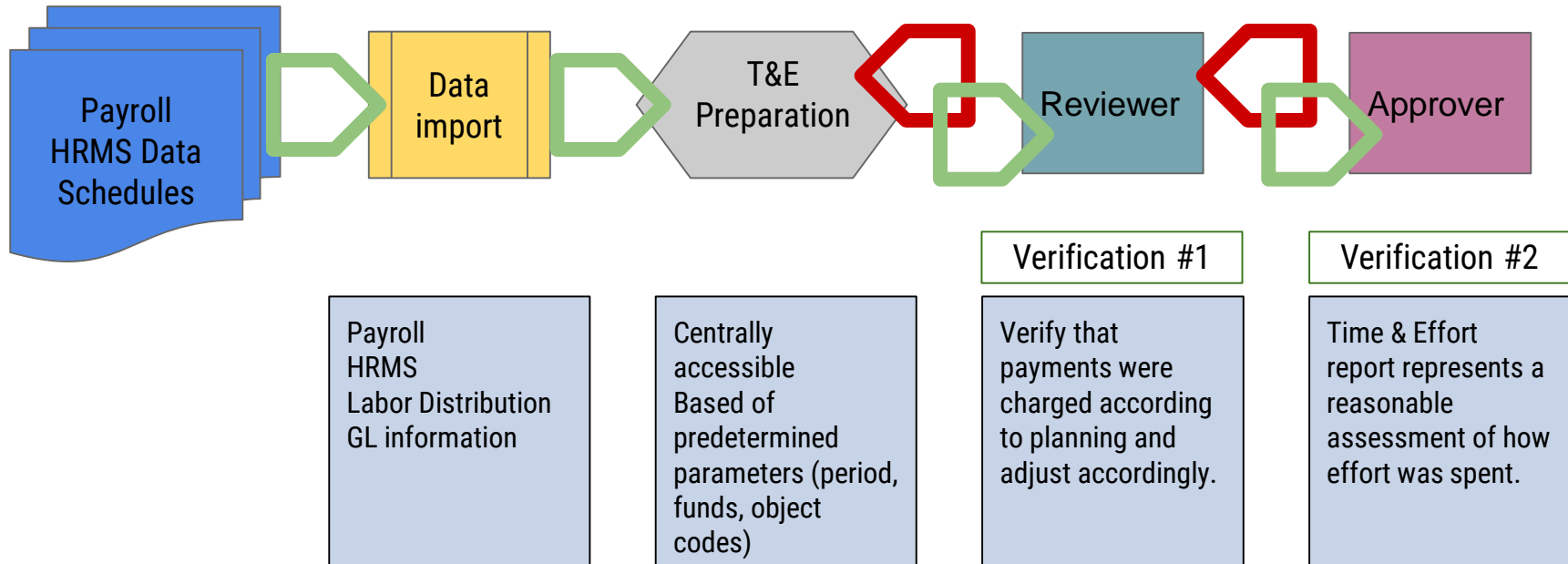


INCORRECT

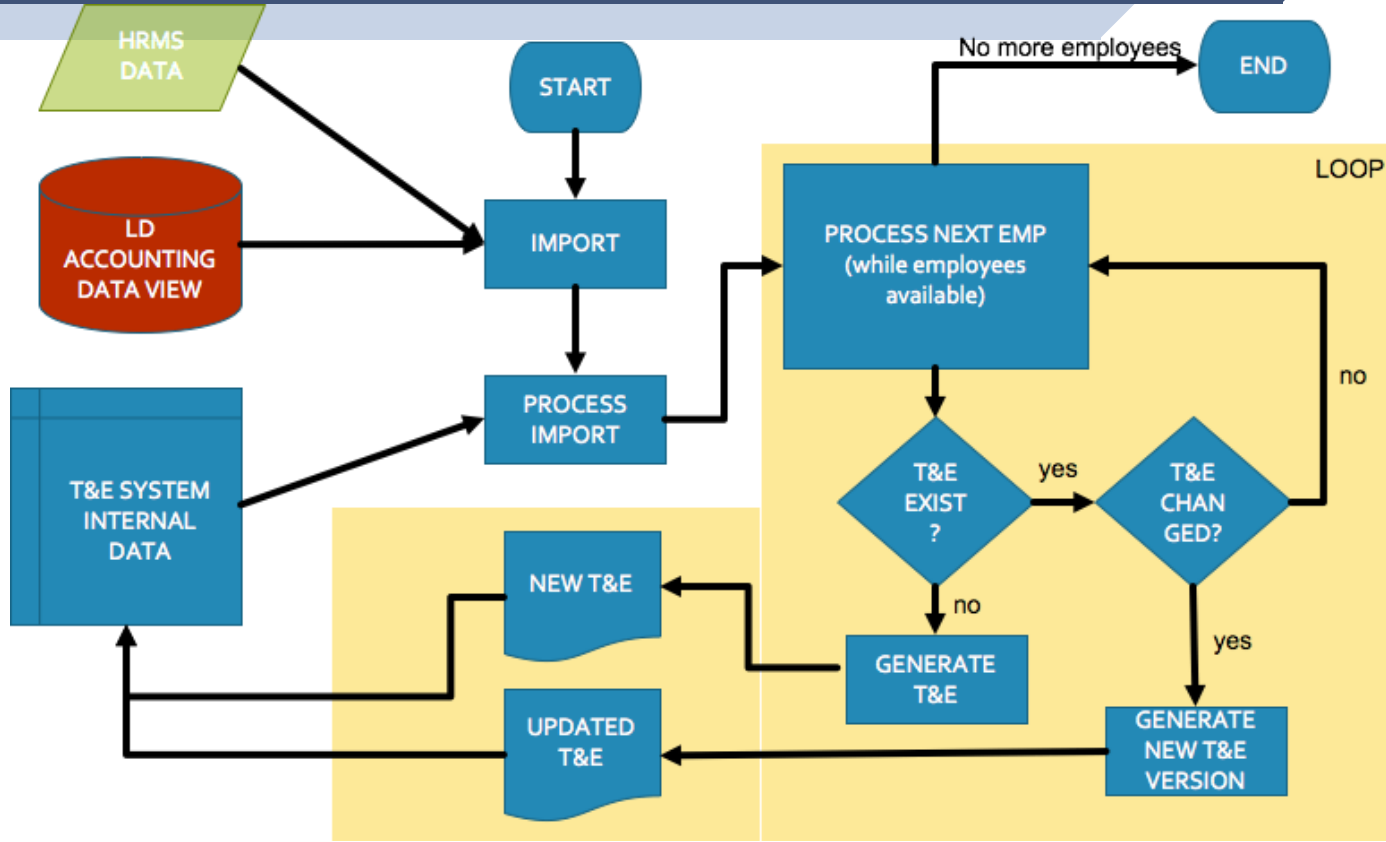




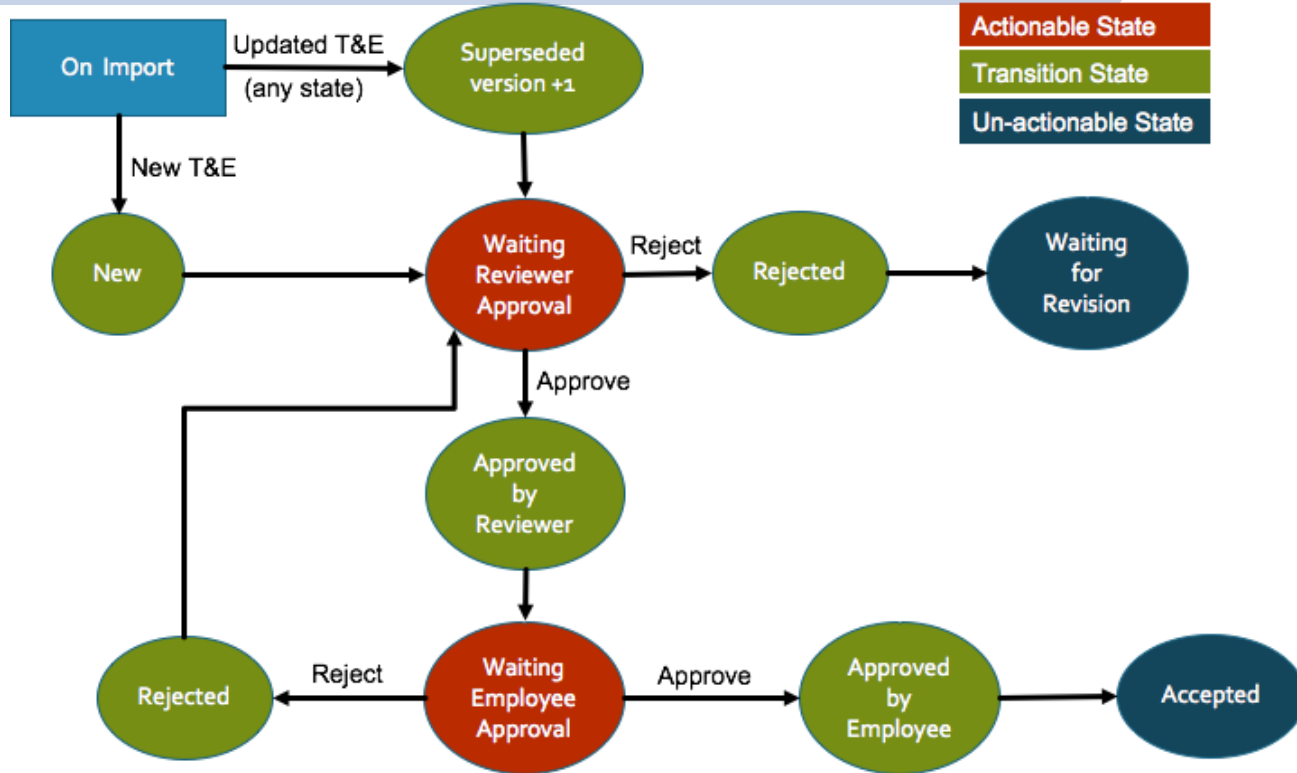
T&E Flowchart



T&E Flowchart



T&E Reports States flowchart





How T&E are flagged for generation

1. Element sets transactions corresponding to the period (between dates) are evaluated.
 - a. LD Periodo Lectivo
 - b. LD Verano



Element Sets

LD_PERIODO LECTIVO:

Salarios

Ajustes

Diferenciales

Horas

Retros Relacionados

LD_VERANO:

BONIFICACION ADM VERANO

SUELDO VERANO INSTRUCCION

SUELDO VERANO PROY E INV

AJUSTE SUELDO VER INST

AJUSTE SUELDO VER PROY E INV

RETRO BONIFICACION ADM VERANO

RETRO SUELDO VERANO INST

RETRO SUELDO VERANO PROY E INV



How T&E are flagged for generation

2. If one transaction contain one of the following federally related funds, then the employee is flagged for T&E generation on the period.

231 - Federal Grants “Direct”

232 - “Pass Through”

236 - Intercampus Grant Agreements

320 - Cost Share

120 - Research Institutional Funds



T&E what is for...

To comply with the **Standards for Documentation of Personnel Expenses**

Charge the Federal Government it's fair share



T&E was NOT designed for...

- Law 101
- Curriculum Vitae supporting documentation
- Personnel transactions

*This doesn't mean that the document cannot be used as an **ancillary** document for other processes. However, be aware that the document **was not designed for those purposes**.



Personal Compensation Details

- Professional activities outside the institution
 - ▶ Require entity-wide policies concerning permissible extent
 - ▶ professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the Federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis



Personal Compensation Details

■ Incentive Payments

- ▶ based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable
- ▶ pursuant to an established plan followed by the non-Federal entity so consistently as to imply, in effect, an agreement to make such payment



Personal Compensation Details

■ Incidental Activities

- ▶ need not be included in the records described in paragraph (i) (Standards for Documentation a.k.a T&E)
- ▶ such activities must either be specifically provided for in the Federal award budget or receive prior written approval by the Federal awarding agency



Personal Compensation Details

■ Intra institution consulting

- ▶ Assumed to be undertaken as an IHE obligation requiring no compensation in addition
- ▶ in unusual cases where consultation is across departmental lines or involves...
- ▶ above IBS are allowable provided that such consulting arrangements are specifically provided for in the Federal award or approved in writing by the Federal awarding agency.



Personal Compensation Details

- Extra service pay represents overload compensation ...
 - ▷ Extra service pay is a result of Intra-IHE consulting
 - ▷ Conditions:
 - ▷ Consistent written policies that applies to ALL faculty members
 - ▷ Consistent written definition of work covered by IBS which is specific enough
 - ▷ commensurate with the IBS rate
 - ▷ fall within the salary structure and pay ranges
 - ▷ salaries charged to Federal awards including extra service pay are subject to the Standards of Documentation

4. RISK MONITORING

University's responsibilities



“ Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraph (e) of this section, which may include consideration of such factors as... [2 CFR 200, section 200.331 \(6\)\(b\)](#)”



University's responsibilities

- [200.331\(6\)\(e\)](#), “Depending upon the pass-through entity’s assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the **pass-through entity to ensure proper accountability and compliance** with program requirements and achievement of performance goals... “.



University's responsibilities

- [200.331\(h\)](#), Pass-through entities must consider taking enforcement action based on noncompliance
- [200.339](#), The pass-through may terminate the award for “cause” with notice and opportunity for hearing ([200.340](#) and [200.341](#)).



4. RISK MONITORING

Determine applicable cost principles



Determine applicable cost principles

1. Determine cost principles applicability - It's provides:
 - a. Standards for the **allowability of costs**.
 - b. Detailed guidance on the cost accounting treatment of costs as **direct or F&A costs**
 - c. **Allowability and allocability principles** for selected items of cost.



Determine applicable cost principles

Type of Organization	Applicable Cost Principles Regulation
College or University State, Local, or Indian Tribal Government Nonprofit Organization	<u>2 CFR 200</u>
Profitmaking Organization	<u>48 CFR 31.2</u>
Hospitals	Usually <u>45 CFR 75, Appendix IX</u>



Determine applicable cost principles

- Example of applicability of cost principles by organization type:

*A **for-profit organization** collaborating with a university recipient would be subject to the cost principles for commercial organizations ([48 CFR 31.2](#)), while **the university** would be subject to the cost principles for Institutions of Higher Educations ([2 CFR 200](#)).*



Determine applicable cost principles

2. Determine what type of relation you will have with the other institution ([200.201](#), Pass-through entity must decide on the appropriate instrument for the Federal Award):

- ▷ [200.51](#) - Grant agreement
- ▷ [200.24](#) - Cooperative agreement
- ▷ [200.22](#) - Contract
- ▷ [200.45](#) - Fixed amount award



RISK MANAGEMENT REQUIREMENTS DETERMINATION PROCESS

SUBRECIPIENT 200.330(a)	CONTRACTOR / VENDOR 200.330(b)
Determines who is eligible to participate in a federal program	Provides the goods and services within normal business operations
Has its performance measured against whether the objectives of the federal program are met	Provides similar goods and services to many different purchasers
Is responsible for programmatic decision making	Operates in a competitive environment
Is responsible for complying with federal program requirements	Provides goods or services that are ancillary to the operation of the federal program
Uses the federal funds to carry out a program	Is not subject to the compliance requirements of the federal program as a result of the agreement



4. RISK MONITORING

UPR's Subrecipient Monitoring Guide



UPR's Subrecipient Monitoring Guide

- Designed for subawards that are subject to federal and/or agency-specific regulations established by the federal prime sponsor.
- Monitoring procedures should be determined by the PI and administrators based on the nature of the grant and the perceived risk associated with the subrecipient.
- Collection of documents to assist administrators at the responsible offices and central level with subrecipient monitoring.





UPR's Subrecipient Monitoring Guide

Initial
(Pre Award)

Ongoing
(Post Award)

Closeout



UPR's Subrecipient Monitoring Guide

Initial Monitoring (Pre-Award)

- Includes **proposal through award set-up**
- The goal of subrecipient monitoring efforts at this stage is to **ensure that the subrecipient is capable** of compliantly spending the federal funds and meeting the project goals
- A risk assessment should be performed to **assess the potential risk level of a subrecipient**



UPR's Subrecipient Monitoring Guide

Initial Monitoring (Pre-Award)

- A. **The Subrecipient Profile Questionnaire** is completed internally or by the subrecipient to determine organization's financial and management strength
- B. **The Subrecipient Risk Assessment Evaluation Form** should be used to determine the frequency and scope of the monitoring
- C. **The monitoring plan** should include strategies to mitigate potential risks of non-compliance



UPR's Subrecipient Monitoring Guide

■ Scoring Methodology:

- ▶ A **subaward with another UPR campus** or unit should be considered as **low risk**
- ▶ Subaward may be considered as **lower risk** if it receives an **institutional score of at most 9, a project score of at most 13, or a combination total of institutional and project score below 26**
- ▶ An institutional score over 9, a project score over 13, or total combined score equal or above 26 constitute a **higher risk** subaward.



UPR's Subrecipient Monitoring Guide

■ Low Risk:

- ▷ Review audit reports
- ▷ If findings exist determine materiality and risk(s)
- ▷ Review invoices frequently to ensure: Timeliness, completeness and accuracy Science is in line with spending PI approval states “okay to pay”
- ▷ Work is performed within the period of performance
- ▷ Compliance with special terms (if applicable)



UPR's Subrecipient Monitoring Guide

Higher Risk:

- ▶ Review all steps in the “Lower Risk” category in addition to the following:
- ▶ Exercise your right to audit or consider performing a site visit or desk review
- ▶ Request supporting detail for all financial invoices and expenses
- ▶ Request and review financial reports more frequently
- ▶ Request regular contact and communication with the PI
- ▶ Document conversations and retain pertinent emails
- ▶ Withhold payments if necessary
- ▶ Elevate potential risks to the Office of Compliance Research and Integrity for review and discussion



UPR's Subrecipient Monitoring Guide

ONGOING MONITORING (POST AWARD)

- This level includes activities undertaken to **monitor the subrecipient's administration, billing and scientific progress as well as on-going risk assessments** (i.e. review of annual audit findings).
- Frequent communication between the PI, responsible offices staff and research administrators at UPR and the subrecipient institution is essential to ensure a compliant and successful collaboration.
- Charges appear reasonable and progress to date for the project.



UPR's Subrecipient Monitoring Guide

ONGOING MONITORING (POST AWARD) cont.

- To ensure proper use of sponsor funds, the invoices must be monitored for completeness
- Best practice dictates **documenting all efforts related to subrecipient monitoring**



UPR's Subrecipient Monitoring Guide

Ongoing Monitoring Tools (post award)

- A. **Invoice Monitoring Guide** - Includes a list of questions to consider when monitoring invoices.



UPR's Subrecipient Monitoring Guide

Ongoing Monitoring Tools (post award)

- B. **Subrecipient Monitoring Record** - Used document subrecipient monitoring efforts and maintain an audit trail. Use of the tracking record is encouraged at all risk levels.



Closeout

- Includes activities related to ensuring that the work was performed and properly billed
- The assigned office had the responsibility to ensure that all documentation related to project performance and financial obligations are received
- Verifying final invoice and reviewing all technical/financial reports to ensure that the subrecipient provided all project deliverables and met project obligations



“ Additional monitoring efforts should always be implemented if there is any question about the subrecipient’s ability to ensure proper use and financial management of sponsor funds during any stage of the award. ”

