EFFECTIVE MANAGEMENT PRACTICES FOR SPECIFIC PROCESSES
AGENDA

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

Permissibility of Costs
§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.
§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.
§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
§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.
§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
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.
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.

- 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
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
Compensation—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.
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
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**

EFFORT % → PAYROLL DISTRIBUTION

**INCORRECT**

Payroll Distribution → Effort %
Payroll HRMS Data Schedules

Data import

T&E Preparation

Reviewer

Approver

Verification #1
Verify that payments were charged according to planning and adjust accordingly.

Verification #2
Time & Effort report represents a reasonable assessment of how effort was spent.

Payroll HRMS Labor Distribution GL information

Centrally accessible Based of predetermined parameters (period, funds, object codes)
T&E Reports States flowchart

- **On Import**
  - New T&E
  - Updated T&E (any state)

- **Waiting Reviewer Approval**
  - Approve
  - Reject
  - Approved by Reviewer

- **Waiting Employee Approval**
  - Approve
  - Reject
  - Approved by Employee

- **Rejection**
  - Waiting for Revision
  - Un-actionable State

- **States**
  - New
  - Rejected
  - Approved by Employee
  - Accepted
1. Element sets transactions corresponding to the period (between dates) are evaluated.
   a. LD Periodo Lectivo
   b. LD Verano
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
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
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.
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
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
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
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.
Extra service pay represents overload compensation...

- Extra service pay is a result of Intra-IHE consulting
- Conditions:
  - Consistent written policies that apply 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)
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... “.
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

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Applicable Cost Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>College or University</td>
<td><strong>2 CFR 200</strong></td>
</tr>
<tr>
<td>State, Local, or Indian Tribal Government</td>
<td></td>
</tr>
<tr>
<td>Nonprofit Organization</td>
<td></td>
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<tr>
<td>Profitmaking Organization</td>
<td><strong>48 CFR 31.2</strong></td>
</tr>
<tr>
<td>Hospitals</td>
<td><strong>Usually 45 CFR 75, Appendix IX</strong></td>
</tr>
</tbody>
</table>

**2 CFR 200**

**48 CFR 31.2**

**45 CFR 75, Appendix IX**
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](#)).
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

<table>
<thead>
<tr>
<th><strong>Subrecipient 200.330(a)</strong></th>
<th><strong>Contractor / Vendor 200.330(b)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Determines who is eligible to participate in a federal program</td>
<td>Provides the goods and services within normal business operations</td>
</tr>
<tr>
<td>Has its performance measured against whether the objectives of the federal program are met</td>
<td>Provides similar goods and services to many different purchasers</td>
</tr>
<tr>
<td>Is responsible for programmatic decision making</td>
<td>Operates in a competitive environment</td>
</tr>
<tr>
<td>Is responsible for complying with federal program requirements</td>
<td>Provides goods or services that are ancillary to the operation of the federal program</td>
</tr>
<tr>
<td>Uses the federal funds to carry out a program</td>
<td>Is not subject to the compliance requirements of the federal program as a result of the agreement</td>
</tr>
</tbody>
</table>
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
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
Initial Monitoring (Pre-Award)

A. **The Subrecipient Profile Questionnaire** is completed internally or by the subrecipient to determine the 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
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.
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)
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
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.
To ensure proper use of sponsor funds, the invoices must be monitored for completeness.

Best practice dictates documenting all efforts related to subrecipient monitoring.
Ongoing Monitoring Tools (post award)

A. Invoice Monitoring Guide - Includes a list of questions to consider when monitoring invoices.
Ongoing Monitoring Tools (post award)

B. **Subrecipient Monitoring Record** - Used to 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."