


# GRANTS COMPLIANCE

Kelly Willenberg, MBA, BSN, CHRC, CHC



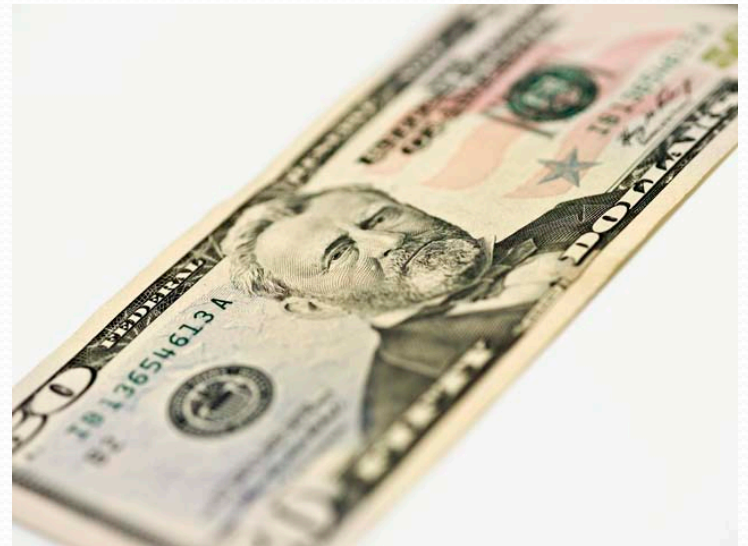
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# Agenda

- Challenges of Grants Management
- Communication Strategies
- Concerns In Managing Grants
- Course to Make it Better

Grants accounting and management are an important part of research compliance. From the point of a Letter of Intent to a Grant Close Out, there are regulations that must be followed!



# Challenges in Grants Management

- Direct and Indirect Costs
- Allocable Costs
- Allowable Costs
- Effort Reporting
- Billing Risks



# Concerns in Grants Management

- Lack of monitoring
- No site visits
- Lack of progress reports
- Reports not reviewed
- Lack of expertise
- Understaffed
- Questionable costs
- Lack of proper procurement
- Prospective grantees not being treated fairly
- Results not being measured
- Lack of closeout

# What is a Grant?

- An award of financial assistance, the principal purpose of which is to transfer a thing of value from a federal agency to a recipient to carry out a public purpose of support or stimulation authorized by a law of the United States (see 31 U.S.C. 6101(3)). A grant is distinguished from a contract, which is used to acquire property or services for the federal government's direct benefit or use.

# What is Grants Compliance?

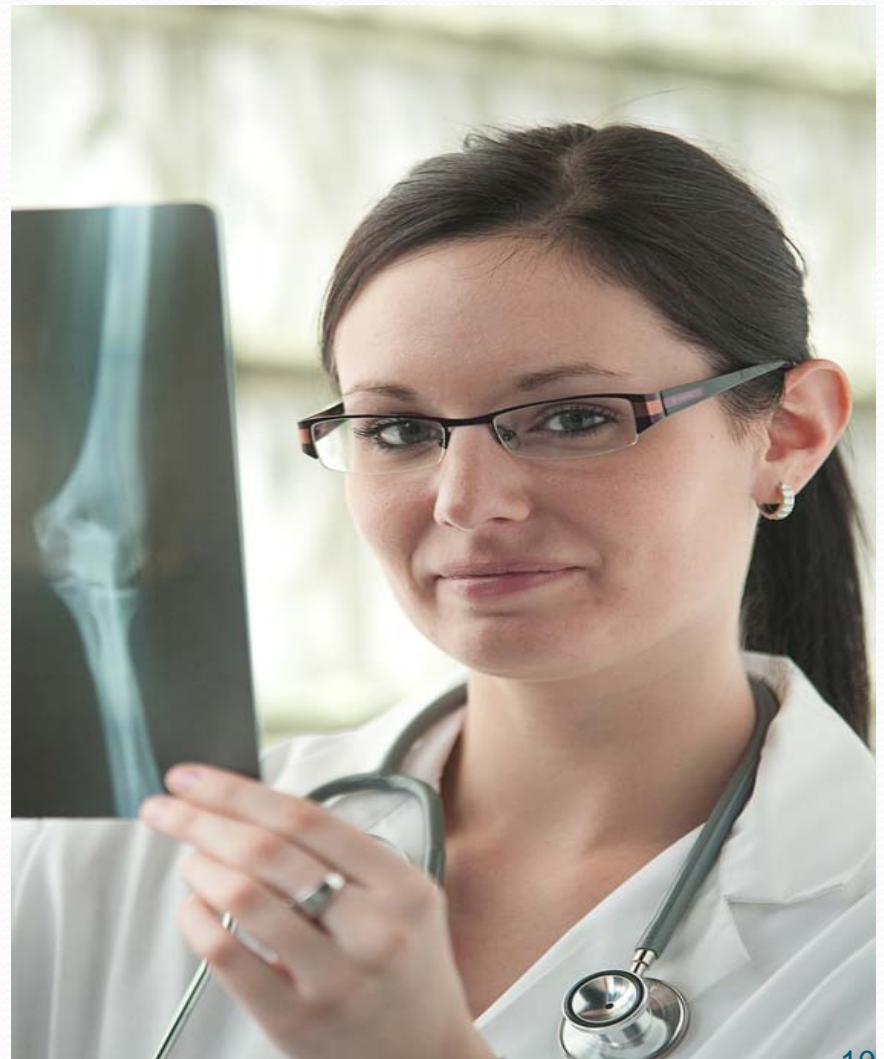
- Taking responsibility of the following:
  - Preventing fraud, mismanagement or poor management of Federal funds
  - Fulfilling the obligations required when accepting funds
  - Providing education on grants roles, responsibilities, procedures and policies to ensure the conduct of research while expensing grants
  - Effectively manage the Federal funds to maximize research outcomes

# Basic Requirements

- Grant awards are made to Institutions
- Recipients of NIH grant funds must comply with all applicable Federal statutes, regulations and policies
- Notice of Grant Award(NOGO) grantees must comply with all terms and conditions in the NOGA
- By drawing funds from the HHS Payment Management System, grantees agree to the terms and conditions of the award

# What Is Effective Grants Management?

A process (or result) of adequate overall oversight and monitoring of federal assistance awards that includes project resources, activities, and results.



# Ins and Outs of Grant Accounting

- General Accounting Principles of Federal Grant Accounting
  - Track Direct vs. Indirect Costs
  - Allocation of Costs
  - Distinguishing Allowable Costs

# Direct Costs

- Costs that can be identified specifically with a particular sponsored project, and instructional activity, or any institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy
- Examples
  - Salaries
  - Travel
  - Equipment
  - Supplies directly benefitting the grant supported project

# Indirect Costs/F&A (Facilities and Administrative)

- Costs incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project
- Institution must present costs consistently
- Must not include costs associated with its F&A rate as direct costs
- Examples
  - Facilities operation and maintenance
  - Depreciation
  - Administrative Expenses

# Allocation of Costs

- Cost Sharing or Matching
  - Recipient provides a share of non-federal cash or “in-kind” services in support of the federal award.
  - Mandatory or voluntary commitment of institutional resources contained in the proposal or award
  - Mandatory cost sharing in salary cap, voluntary committed and uncommitted cost sharing
  - Not allowed with other federal sources or another source for which you must report

# Allocation of Costs

- Cost Transfers
  - Retroactive transfer of expenditure from one account to another to correct errors not to manage grant funds by shifting costs from overspent grants to other grants
  - Can only be used to correct the following and must be made within 90 days from the time error discovered:
    - Erroneous charges
    - Unallowable charges
    - Unreasonable charges
    - Unallocable charges
    - Inconsistently applied charges

# What Does Allocable Mean?

- A cost is allocable to a specific grant if:
  - It is incurred solely in order to advance the work of the grant
  - It benefits both the grant and other work of the Institution, including other grant supported projects
  - It is necessary to the overall operation of the Organization
  - It is deemed assignable, at least in part, to the grant

# Allowable Charges

- Applies to both direct and indirect costs
- Award of a proposed cost as requested by an applicant does not indicate a determination of allowability
- Four tests to determine “allowability”
  - Reasonableness (includes necessity)
  - Allocability
  - Consistency
  - Conformance
  - AND is not prohibited by law or regulation

# Managing Effort Reporting

- Create a way to both track effort and allocate salaries correctly to federal grants
- Careful effort reporting can help justify allocation of salary
- Add Effort Reporting Compliance Review to an existing umbrella of an institutional compliance program
- Communication is key in managing effort

# Sub Awards

- Primary tool the primary recipient has for monitoring sub-grantees
- Should be detailed and describe responsibility of the sub-grantee, including reporting requirements
- Primary recipient should have a written monitoring plan for the sub-awards
- Award of assistance made under a grant to eligible sub-grantees
- A procurement contract under a grant is not a sub-award

# Recipient Responsibilities for Sub Awards

- Compete sub-awards, if possible
- Have a method of evaluating sub-grantees
- Ensure sub-grantee is not suspended or debarred
- Monitor sub-awards
- Provide technical assistance, if necessary

# Pass Through Costs

- Recipient essentially assumes the role of the agency
- Must have sub-award agreements
- Must ensure that all funds it receives, including sub-awards, are used properly

# Accounting Alarms

- Too much white-out
- Excessive photocopies instead of originals
- Checks written to cash/employees
- Splitting payments to avoid dollar thresholds
- Sales of assets to employees or relatives
- Loans to staff/board members
- Too much cash lying around
- Salary increases tied to grants
- Corrected effort reports
- Excessive transactions (adjusting entries) in financial system
- Excessive bank accounts
- Strange alliances – subletting office space, off-the-book deals
- Lack of policies
- Batch of effort reports signed by administrator
- Late, missing or unsigned effort reports
- Excessive payroll cost transfers
- Faculty with 100% on research grants

# Medicare Reimbursement and Federal Dollars

- Clinical Trial Projects under Federal Grants must meet same scrutiny as other clinical trials.
- Coverage Analysis and statement of patient care costs provided in grant must be reviewed against consent and billing of patient costs
- IRB Costs are not an allowable costs in Federal Grants

# Billing Risks in Federal Research

- Ensure that the Informed Consent matches the Grant
- Ensure that Medicare is not billed when the Grant covers the patient care costs
- Assumption that just because it's funded by a Federal Grant means that the patient services are billable
- No communication of grant detail to Hospital so they do not track charges
- PI not managing registrations, requisitions and charge documents
- Institution fails to verify that Medicare NCD applicable
- Failure to follow FDA and Medicare Rules for Device Grants

# General Principles of Compliant Research Grant Accounting



# Basic Principle 1

## Payroll and Effort Reporting

- Do effort certification which determines and supports salary and fringe benefit costs
- Have policies establishing frequency of reporting and time allowed to complete reports
- Know salary caps



# Basic Principle 2

## Risk Assessments

- **Types of Risk**

- Recipient stability
- Geographic problems
- Amount of award
- Susceptible to fraud

- **Types of Risk**

- New program awards
- Public or congressional scrutiny
- Lack of discretion in making award

# Basic Principle 3

## Program Development

- Have educational programs for everyone on grants accounting annually!
- Team Approach is a must!
- A culture of Compliance begins with a culture of understanding!
- Once you go “Compliance”, there is no going back!

# Basic Principle 4

## Accounting Priorities

- Ensure separate accounts for each project
- Program income is identified and accounted for by each project
- Program income is used in accordance with the appropriate alternative
- Review budget vs actual



# Basic Principle 5

## Internal Controls



- Accounting
  - Cash Ledgers
  - Support Documents
  - Audit trail
- Business records
  - Banking
  - Employment
  - Time Sheets
  - Contracts
- Policies and procedures
  - Position Descriptions
  - Roles and Responsibilities
  - Personnel manual
  - Travel Procedures
  - Training Policy
  - Procurement Policy

# Basic Principle 6

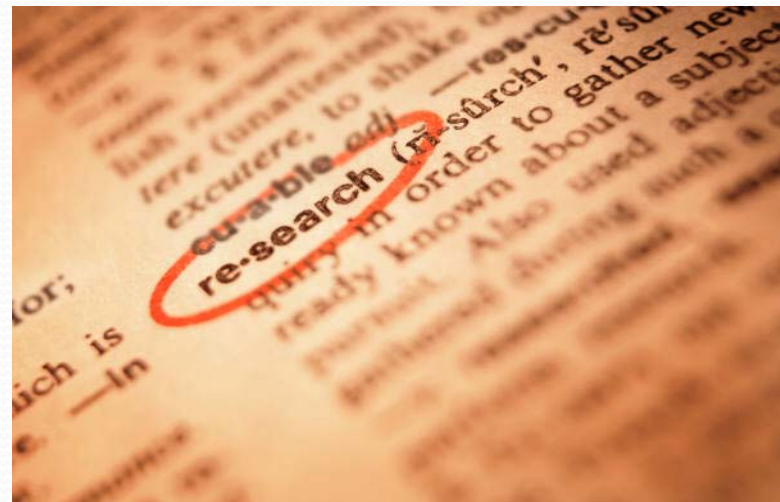
## Monitoring

- Confirms compliance of award terms and conditions
- Determines the extent to which the proposal matches activities
- Detect early warning signs of trouble and non-compliance and act accordingly
- Plan should be specific to each award and achievable
- Monitor all awards comprehensively
- Flexibility and ability to accommodate changing circumstances



# Summary

- Grants Accounting compliance is a vital function in any Academic Medical Center that does research, and now is a focus of government enforcement.
- The compliance function is to educate faculty and staff about the laws, rules and policies governing research, and then monitor adherence.



# Summary of Applicable Regulations

Grantee Type	Admin Req.	Cost Principles	Audit Req.
State & Local Govnmts	A-102	A-87	A-133
College & Univ.	A-110	A-21	A-133
Non Profits	A-110	A-122	A-133
Hospitals	A-110	45 CFR Part 74 App E <b><u>AKA</u></b> OASC-3	A-133 and 45 CFR Part 74.26

# References

- OMB Circulars A-21, A-87, A-102, A-122 and A-133 and 45 CFR Part 74
- NIH Grants Policy Statement
- NGA Terms and Conditions
- Salary Rate Limitation
- Cost Accounting Standards
- Institutional Policies and Procedures

# Contact Information

Kelly Willenberg

[kelly@synergism-llc.com](mailto:kelly@synergism-llc.com)

864-473-7209

