**Guidelines for Management of US Federally Funded Grants**

An electronic copy of these guidelines can be downloaded from<http://www.otago.ac.nz/research/forms/United_States_Federal_Funding_Guidelines/>

1. **Policies and Regulations:** There are many policies and regulations that govern the expenditure of US federal funds. When we accept a grant of US federal funds**, including when we are a subcontractor** on another institution’s federal grant, we are obliged to comply with the applicable policies and regulations. **All staff** involved with US federally funded grants, including project and admin staff, should be aware of and comply with these regulations.

The Notice of Award, or contract will refer to the applicable policy and regulatory documents. You should familiarise yourself with these. Appendix 1 to these Guidelines indicates which public policies are applicable, with links to further information. Some key agency policy documents are noted below for your convenience.

**NIH: Grants Policy Statement (GPS):** <http://grants.nih.gov/grants/policy/nihgps_2011/index.htm>

**CDC:** Grantee’s Financial Reference Guide for Managing CDC Grants & Cooperative Agreements <http://www.cdc.gov/dash/grants_mgt/docs_pdfs/granteesfinancialreference.pdf>

Some regulations of particular note are summarised below:

1. **Overheads:** Overheads are termed “indirect costs” or “facilities & administrative (F&A) costs” for US-funded grants. Different Federal Agencies have different rules around reimbursement of indirect costs for foreign organisations.

National Institutes of Health provide indirect costs to foreign organisations at a fixed rate of 8% of direct costs (excluding equipment). These are for covering costs associated with compliance with Federal and NIH policies and regulations. They are NOT to be used for Departmental overheads. NIH indirect costs should be allocated entirely to **central overheads** as costs of compliance are incurred primarily at the institutional level. Some costs that would normally be covered by overheads e.g. rent, internet etc can be requested as direct costs, provided you can account for the expenditure as directly relating to the research project.

**NOTE:** **Charging overheads to grants:** NIH-funded indirect costs can not currently be calculated automatically, so Research & Enterprise will manually calculate and journal the indirect costs (at a rate of 8% of the month’s expenditure on the grant) until an automatic allocation can be written and tested.

Centers for Disease Control (CDC) do not provide Indirect Costs to Foreign Organisations at all.

Check with your RA about budgeting Indirect Costs if uncertain.

1. **Cost Principles:** rules governing what you may or may not spend federal funds on are detailed in Office of Management and Budget (OMB) Circular A-21 (<http://www.whitehouse.gov/omb/circulars_a021_2004>). Appendix 2 to these Guidelines contains a summary of generally allowed and unallowed costs. However, there are exceptions for specific circumstances– see the NIH Grants Policy Statement (web address above), or OMB Circular A-21 for further details. Grant funds may only be spent on activities in furtherance of the project objectives.
2. **Financial Management:** rules governing administrative processes for expenditure of federal funds are detailed in OMB Circular A-110. <http://www.whitehouse.gov/omb/circulars_a110/>

Only allowable and allocable costs can be charged against Federal programmes. If you are unsure then please contact your Research Advisor and/or Financial Services.

Some Key points to note:

* 1. Financial Transactions: All financial transactions recorded in the University’s financial system must be supported with appropriate documentation. Use the narrative fields and attachment options to describe and justify the transaction. With particular reference to journal entries the documentation may include:
     1. An explanation of why the transaction is necessary must be included
     2. A reconciling schedule that demonstrates how the adjustment was calculated and how the adjustment corrects the accounts.
     3. If the adjustment involves recoding an accounts payable invoice, be sure to attach a copy of the invoice to the entry.

Adjustments should take place in the month following the original entry.  Adjustments must not be made outside of the fiscal year in which the original transaction took place.

Poorly documented transactions will be flagged for correction by the Assistant Accountant in Financial Services who performs a quarterly review of all projects.  Corrections must take place prior to the next monthly closing after notice has been received from the Assistant Accountant.

* 1. Accrual Accounting: All US federally funded projects must be accounted for on an accrual accounting basis.  Items paid for in advance (e.g. subcontracts paid up-front) must be set up as prepaid and amortised. Goods and services received but not invoiced must be accrued (e.g. subcontracts paid in arrears).  This is particularly important at the fiscal year end.

Be sure to follow proper documentation standards when completing or adjusting entries on this basis.  Use the Attachment feature in Finance One to attach supporting schedules or the Note feature to provide additional narration.  It is possible to drag and drop emails to a Finance One journal entry.

The Finance One system is rolled to the new year in early January.  If the need to make an accrual is noticed after the period has rolled, contact the Senior Management Accountant in the Financial Services Division for assistance with the entry.  An entry may be possible so long as the annual accounts closing process has not yet been completed.

* 1. Monthly review of expenditure: PIs and administrators should conduct a monthly (or, at minimum, quarterly) review of account expenditure to confirm all charges are appropriate. The PI should sign the account statements to confirm the charges are appropriate. A report on the staff time charged to the grant for the same period should also be signed off by the PI (See point 5 below). These reports should be kept on file by the department.
  2. Indirect costs: NIH-funded indirect costs can not currently be calculated automatically within Finance One, so Research Finance will manually calculate and journal the indirect costs (at a rate of 8% of the month’s expenditure on the grant) until an automatic allocation can be written and tested. Other Federal agencies have different indirect cost allowances and calculations. Please talk to your Research Advisor about these.
  3. Excluded Parties: Federal funds may not be used to conduct transactions with Excluded Parties. When setting up a new vendor, check that the vendor is not an Excluded Party using the System for Award Management (SAM):
     1. Go to <https://www.sam.gov/portal/public/SAM/>
     2. Click on “search records” and enter the name of the vendor into the search field.
     3. Check if the vendor has active exclusions.

This check must be carried out prior to placing the order. Indicate on the New Creditor Form that the list was checked.

1. **Time & Effort Reporting:** Salaries must be charged to grants based on *actual* time devoted to grant activities, rather than *budgeted* FTE. PIs are responsible for monitoring staff time.

A report on staff time charged to the grant should be completed, at minimum, quarterly. This report should be reviewed and signed off by the PI to confirm that the staff time charged to the grant is an accurate reflection of the actual staff time devoted to project activities. These reports should be kept on file by the department.

The report should be run in Business Objects according to the instructions below:

**Departmental Administrator:**

1. If you do not already have access to Business Objects, please contact Neena Albi in HR to get set up ([Neena.albi@otago.ac.nz](mailto:Neena.albi@otago.ac.nz)). This will require HoD approval. Once you have access:
2. Log on to <http://www.otago.ac.nz/crystal>
3. Select **Otago University Business Objects** (the first option on the top of page)
4. Select **HR Reports for Departments**
5. Select **HR FTE Reports** folder
6. Click on “Run report” under **“HR Report for Research and Enterprise”**
7. Enter report parameters (more information on the parameters follows below)
8. Click  “Schedule”
9. Filter the generated MS Xcel report by the relevant account number.
10. If there were indirect salaries charged to the project, please add the indirect staff member name and FTE contribution to the report (either typed into Xcel or written in by hand)
11. Print the report and provide to the PI for confirmation.
12. Once the PI has signed the report, keep the report on file. If your grant is selected for audit, the auditors will want to see these. You don’t need to send the report to R&E. If the PI has indicated that the staff time charged to the account is incorrect, please make the necessary journal entries to reallocate the charges as appropriate.

**Principal Investigator:**

1. Confirm that the report provided by the departmental administrator represents an accurate record of staff time devoted to the grant by printing, signing and dating the report. If the report is not an accurate record of staff time devoted to the project, please note any corrections on the report, then sign and date it.
2. Return the report to your departmental administrator and keep a copy for your own records. If your grant is selected for audit, the auditors will want to see these reports. You do not need to send a copy to R&E.

If you have any technical difficulties with running the report, please contact Jared Hayes in HR [jared.hayes@otago.ac.nz](mailto:jared.hayes@otago.ac.nz)).

**Sub-Recipient Monitoring**

Principal Investigators must actively monitor sub-contractors/sub-recipients. Effective liaison with sub-contractors should be established as soon as possible. Reports, including the A 133 audit report (where applicable), must be obtained from sub-contractors and stored within the prime contract file.

Invoices from sub-contractors must itemise what is being claimed, the costs and document any other relevant details. These must be vetted by the Principal Investigator and signed off as correct and allowable. Copies of any invoices should be stored in the contract file and be readily accessible.

Sub-contractors may only receive funds on submission of a detailed invoice. Payment in advance is not allowable.

1. **Travel:** Travel paid for with grant funds must comply with the Federal Travel Regulations (FTR):
   1. Flights must be on US-flag carriers whenever possible (“Fly America Act”). If you travel on a NZ code-share flight, you must have a US airline ticket where possible. If US airline flights are available for some legs of the journey, you must use US airlines for those legs. (Note: Hawaiian Airlines now flies between Auckland and Honolulu). There are some exceptions - check page IIA-20 of the NIH grants policy statement for details.
   2. PIs are required to write and retain on file a justification for why they were unable to comply with the “Fly America Act.”
   3. The **number** of trips may be restricted, regardless of what the budget will accommodate. Check the contract Terms and Conditions.
   4. The FTR sets limits on expenses.
      1. Maximum allowable rates for “lodgings” and “meals & incidentals” are determined by location. Per diem rates by location are available online:
         1. USA: [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem)
         2. “Foreign”: <https://aoprals.state.gov/content.asp?content_id=184&menu_id=78>
      2. Receipts are required for reimbursements of accommodation costs.
2. **Asset Management:** The University is required to conduct an inventory every 2 years of equipment purchased with US federal funds. In order to comply with federal regulations:
   1. Grantees must label equipment purchased with US federal funds and should be able to identify and locate all such equipment at the time of inventory.
   2. Departments should note that the equipment was purchased with “US federal funding” in the acquisition comments field of the Asset Register, and associated with Parent Asset 153206 .
   3. In situations where the cost of the asset was only partially funded with US federal funds, the value of US federal funding should be shown.
   4. For NIH and CDC grants, an inventory of equipment purchased using grant funds must be sent to the funder at the end of the grant. They have 120 days to request return/reallocation of equipment valued at over $5000.
3. **Conflict of Interest:** US federal grants have particularly strict financial conflict of interest reporting requirements. See Title 42 of the Code of Federal Regulations, Part 50, Subpart F for details. This is available in electronic form at [www.ecfr.gov](http://www.ecfr.gov).

Quick summary: PIs must report ANY financial interest (held by themselves or immediate family) equal to or greater than US$5000 to their HoD. A financial interest includes commercial research contracts, shares held (unless managed by a fund and not the shareholder), board directorships, paid consultancies etc.

The HoD shall determine if that represents a Conflict of Interest (i.e. could jeopardise the PIs objectivity) with respect to the federally funded research. HoD and PI should then come up with a plan to mitigate the Conflict of Interest. The Conflict of Interest + mitigation plan should be reported to the funding agency at the time of application, or on receipt of the award.

When we are a subcontractor on another institution’s grant, PIs should comply with the contracting institution’s Conflict of Interest Policy.

1. **Research results** e.g. data, lab notebooks, samples etc are the property of the University, not the researcher. This is also University policy. The University, as the Grantee, is responsible for archiving and maintaining the research results.
2. **Close-out:** At the end of the grant the following close-out reports must be submitted: inventory of equipment purchased with grant funds, invention disclosure, financial status report.

**Read and acknowledged by:**

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| --- | --- | --- |
| Principal Investigator | Signature | Date |
|  |  |  |
| Department Finance Admin | Signature | Date |
|  |  |  |

**Please return one signed copy of these Guidelines to your Research Advisor.**