
A Primer on Avoiding Grants Management Minefields

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Objective

- Identify potential problems in navigating complex federal grants regulations
 - Identify resources at HMS to assist you with issues
 - Tie recent audit findings to top 10 grant compliance issues
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University of Minnesota
Misuse federal funds
\$32 million

Florida International Univ
Effort Certification &
Direct Costs
\$11.5 million

Johns Hopkins Univ
Effort Certification
\$2.7 million

Univ of Southern California
Questioned Costs
HHS/OIG Audit
\$400,000

Univ California/San Francisco
Animal Care Allegations
\$92,500 fine

New York University Medical
Center
Inflated research grant costs
\$15.5 million

East Carolina Univ
Questioned Costs
HHS/OIG Audit
\$2.4 million

**Results of Non-
Compliance:
Significant
Audits/Settlements**

Mayo Foundation
Mischarging federal grants
\$6.5 million

Univ
Alabama/Birmingham
Effort Certification &
Clinical Research Billing
\$3.4 million

Cornell Medical
Clinical Research Issues
\$4.4 million

Harvard/BIDMC
Costing Issues
Self-Reported
\$3.25 million

Northwestern University
Committed Time/Effort
\$5 million

Relevant Federal Climate

- Current Office of Inspector General (OIG), Health and Human Services (HHS) Audit Focus
 - ❑ Charging clerical and admin costs
 - ❑ Effort certification
 - ❑ Cost transfers
 - ❑ Subrecipient monitoring
 - ❑ Level of commitment
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What do federal regulations have in common?

- Shades of gray
 - Use words like “normally”, “usually”, “primarily”, “generally”
 - Prudent person test is key but subjective
 - Audits by federal agencies are rare, but increasingly more common
 - Audit results are black and white
 - Harvard always attracts attention in media
 - Small, inadvertent mistakes translate in “misdeeds”
 - Reputational risks for both PI and institution
 - Auditors will want to meet with the PI
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Hot Topic #1

Effort Reporting

- Why is this so important to the Feds
 - Effort tracking throughout the life cycle
 - Faculty effort – Annual reporting
 - Non-faculty effort – Monthly reporting
 - Proposed vs. charged vs. tracked vs. actual effort devoted
 - Sponsor approval required for reductions of 25% or greater for key personnel (normally just PI)
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Hot Topic #2 Over-commitment of PI and key personnel effort

- When could it be problematic to charge 100% effort to research grants?
 - HMS recommends no more than 90-95% effort charged to sponsored awards
 - Effort percentage in proposal vs. available time when award is accepted
 - Issues relating to faculty being key personnel on multiple grants of other PI's
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Hot Topic #3 Subrecipient Monitoring

- As prime grantee, HMS and PI are responsible for entire award
 - PI monitors programmatic performance
 - PI approves invoices and certifies performance and appropriateness of charges
 - Grantee could be liable for disallowed costs of subcontractor
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Hot Topic #4 Cost Transfers

- Why does the government care?
 - Sees moving funds as a sign of poor management and weak internal controls
 - Every move of Federal money requires documentation and approval
 - Periodic reviews of grant accounts precludes the inability to shift funds because too much time has passed
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Hot Topic #5 Allowable Direct Charges

- Certain items are not allowable as direct charges to grant; this does not mean that they are not paid for by the Feds
 - Direct Costs are defined as those expenses that can be associated with a specific grant activity with a high degree of accuracy
 - Certain expenses, as admin salaries, are allowable on large program projects (P01s) but not allowable on less complex awards (R01s)
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Hot Topic #5 Allowable Direct Charges

- “Sensitive costs”
 - ❑ Admin and clerical salaries
 - ❑ General purpose equipment
 - ❑ Software
 - ❑ Office supplies
 - ❑ Memberships
 - ❑ Subscriptions and books
 - ❑ Telephone
 - ❑ Alcohol
 - ❑ Entertainment
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Hot Topic #6 Allocability

■ Attribution

- Can you attribute each expense to the specific award
- Do you review the methodology of splitting expenses within your lab

■ Charging personnel

- How do you allocate staff time, how often is it reviewed and what do you do about short term reallocation of staff

■ Unallowable practices include:

- Rotating charges between awards
 - Spending down an award because it has the largest balance
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Hot Topic #7 Cost Sharing

- Definition: Expenses included in a grant proposal relating to a specific project that are paid for with school unrestricted funds
 - What is the downside of cost sharing
 - Unofficial policy
 - Required documentation
 - Importance of tracking cost sharing
 - “Over the cap” NIH cost sharing
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Hot Topic #8 Travel

- University Policy regarding preferred vendors
 - What is the rationale for this stringent policy
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Hot Topic #9 Non Federal Awards

- Terms often vague
 - Sponsors still expect good management and stewardship
 - Need to be prepared to defend transactions in an audit (more frequent audits than in the past)
 - Recommend transact and manage the same as with Federal funds
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Hot Topic #10 Accelerated Spending

- Is the rate of spending tied to the pace of work
 - Does the rapid spending indicate a change in the scope of work
 - If spending is slow is there concern about achieving project goals
 - Good practice is to monitor overall grant spending against a dollar and time budget
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Other Issues

- Dual Appointments
 - Training Grants
 - Service Centers
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What can you do to avoid problems?

- Work with your knowledgeable and trained department grants managers
 - Review account status and charges on a regular basis with department staff
 - Understand allocation method of charges
 - Understand effort commitments
 - Contact SPA, FOA or OSP with questions
 - Advise SPA of any inquiry from external sponsor
 - Utilize SPA as a liaison with sponsor
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