

Marine Biological Laboratory

**Grants Administration
Procedures**

March 2007

Marine Biological Laboratory Grants Administration Procedures

Index

Policy Summary	1.0
Introduction	2.0
Primary Responsibilities of Office of research Administration	2.1
Primary Responsibility of Grant Accounting	2.2
Primary Responsibilities of Office of Principal Investigators	2.3
Origination of Awards	2.4
Types of Awards	2.5
Budgets, Rebudgets, Subawards & Cost Sharing	3.0
Budget Development and Approvals	3.1
Awards Processing	3.2
Subawards	3.3
Consultants	3.4
Rebudgeting	3.5
Cost Sharing	3.6
Employees, Salaries and Fringe Benefits	4.0
Hiring	4.1
Fringe Benefits	4.2
Changes in Employment Status	4.3
Biweekly Payroll Reporting	4.4
Purchasing	5.0
Purchasing Policies and Procedures	5.1
Equipment	5.2

Cost Allowability	6.0
General Cost Guidelines	6.1
Specific Cost Guidelines	6.2
Prior Approvals	6.3
Travel	6.4
Expense transfers	6.5
Recordkeeping	7.0
Financial Services Web Site	7.1
Effort Reporting and Certification	7.2
Facilities and Administrative Rates	8.0
Cost Recovery Objections and Rate Calculation	8.1
Determining the F & A Rate	8.2
Cost Proposal Preparation and Negotiation	8.3
Implementation	8.4
Reporting and Other	9.0
Audits	9.1
Audit Process	9.2
Findings	9.3
Federal Audits	9.4
Closeout	9.5
Equipment Disposal	9.6
Adjustment Period	9.7
Policy Clarification and Updates	10.0

1.0 Policy Summary:

The Marine Biological Laboratory (MBL) as a recipient of federal funds through grants, cooperative agreements, or contracts is required to comply with a gamut of regulatory requirements that includes but is not limited to the Office of Budget Management (OMB) Circulars A-110, A-122, and A-133, as well as applicable CFAR regulations for agency contracts. As lack of compliance can lead to any array of sanctions it is imperative that the MBL promotes an organizational culture with a commitment to compliance with the regulations and certifications applicable to sponsored programs.

Even the institutional endorsement on a proposal for federal funding carries enormous obligations for the applicant organization, such as the certification below required by the National Institutes of Health (NIH):

APPLICANT ORGANIZATION CERTIFICATION AND ACCEPTANCE: "I certify that the statements herein are true, complete and accurate to the best of my knowledge, and accept the obligation to comply with Public Health Service's terms and conditions if a grant is awarded as a result of this application. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties."

Institutions are not the only vulnerable parties as the NIH and the National Science Foundation require institutions to obtain a similar certification from Principal Investigators (PI) prior to submission with the additional provision that the PI "...agree(s) to accept responsibility for the scientific conduct of the project and to provide the required progress reports if a grant is awarded as a result of this application." This is because they view the PI as a member of the grantee team responsible for ensuring compliance with the financial and administrative aspects of the award.

The **Grants Accounting and Compliance Policy E.1.1** defines the responsibilities for handling the awards and the consequences of violation of the policy or underlying procedures. It should be used in conjunction with other policies including but not limited to the Code of Conduct, the Employee Conflict of Interest, and the Allegations of Misconduct.

2.0 Introduction

The MBL, Office of Sponsored Programs (OSP), Grant Accounting, and the Principal (PI) Investigators must work as a grantee team to assure compliance with government regulations and this policy. All research and education grants are prepared by a PI and then reviewed and submitted through the OSP. All awards received are made to the institution so stewardship of the property and funds requires administrative attention. The OSP and Grant Accounting units are responsible for the review, acceptance, administration, and oversight of compliance of all grants and contracts for research & education at the MBL. These administrative units will follow the well defined Grants Administration Procedures to protect the MBL from inherent or perceived conflicts and to ensure objectivity and consistency in managing all aspects of awards.

2.1 Primary Responsibilities of Office of Sponsored Programs (Pre Award)

- 2.1.1 Serve as the MBL point of contact and signatory official for proposals and requests to government funding agencies and corporate sponsors, certifying that the MBL will comply with all applicable assurances & certifications and make appropriate use of funds awarded.
- 2.1.2 Facilitate preparation of grant and contract proposals by MBL scientists and other authorized individuals.
- 2.1.3 Review and approve all grant budgets and re-budgeting requests, prior approval requests and progress reports as required by the sponsor for compliance with agency regulations and MBL policies
- 2.1.4 Negotiate the final terms and conditions of grants, contracts and cooperative agreements.
- 2.1.5 Prepare and negotiate all sub-awards and amendments of sub-awards to other institutions per the request and approval from Principal Investigators overseeing the grant
- 2.1.6 Maintain grant-related certifications and assurances on behalf of the MBL
- 2.1.7 Collaborate with the Grants Accountant and Controller to assure proper grants accounting and guarantee MBL's compliance with regulations and laws
- 2.1.8 Notify investigators of agency-specific report and close out requirements.
- 2.1.9 Determine how any residual equipment and/or funds from a grant, contract or cooperative agreement will be disposed of by consulting with the PI and Controller.
- 2.1.10 Co-direct the administration of invention disclosures and Intellectual Property (IP) at the MBL with the Chief Financial Officer and coordinate IP activities with Brown Technology Partnerships

2.2 Primary Responsibilities of Grant Accounting (Post Award)

- 2.2.1 Oversees all Awards compliance including accounting of costs on active jobs and all billing to government and private agencies. Federal rules that provide requirements and guidance for administration of federal awards include; OMB Circulars A-110 Uniform Administrative Requirements for Grants and Other Agreements with Non-Profit Organizations, A-122 Cost Principals for Non-Profit Organizations and A-133 Audits of States, Local Governments, and Non-Profit Organizations.
- 2.2.2 Assure regulatory and MBL policy compliance including reconciling allowable expenses to federal financial assistance, sustaining A-133 audit requirements, and developing management reports.
- 2.2.3 Maintain with the OSP support the MBL Grants Administration Procedures for accounting and compliance for federal and non-federal contracts, grants and cooperative agreements.
- 2.2.4 Review laboratory agreements and establish new job centers for awards including set up procedures.
- 2.2.5 Complete Financial Close-Out of all completed awards assuring proper reporting to federal and non-federal agencies.

2.3 Primary Responsibilities of Principal Investigators (PI)

- 2.3.1 Submit all grant, contract, and cooperative agreement proposals to the OSP for their review prior to submitting to a funding agency.
- 2.3.2 Understand and comply with this Grants Accounting and Compliance Policy, the Grants Administration Procedures, as well as sponsoring agency rules and regulations for the contract, grant or cooperative agreement awards.
- 2.3.3 Monitor and ensure charges to the award are related to the approved budget. Key to this is the requirement under federal regulations to have PIs overseeing expenditures for any scientific staff salary on each grant to make a monthly time and effort certification. The PI must appreciate that this information is used to support the appropriateness of the salary & fringe component of the grant expenditures and should exercise extra care in approving scientific employee time sheets.
- 2.3.4 If cost sharing is applicable the source should be clearly identified prior to submission and accounted for properly if an award is received.

- 2.3.5 Oversee the purchase of equipment and general supplies authorized in any award. Note that the employee conflict of interest applies to these purchasing activities and that disclosure of any vendor relationships is important. Equipment and supplies purchased with grants are property of the MBL.
- 2.3.6 Ensure any budget changes to an award are appropriate and filed in a timely manner.
- 2.3.7 Ensure performance/technical/final reports or deliverables are completed and submitted on scheduled basis with sponsoring agency.
- 2.3.8 If sub-awards are applicable the PI is responsible for monitoring their work, reviewing their invoices and approving availability of funds.

2.4 Origination of Awards

All research and education grants are prepared by a Principal Investigator (PI), reviewed and submitted through the MBL Office of Sponsored Programs (OSP). Occasionally, research activity may begin prior to receipt of the official award. Certain federal agencies allow institutions to approve pre-award costs on grants for up to ninety days prior to the award start date. In such cases, the Manager of Sponsored Programs will advise the Controller's office in writing of this decision. To undertake this activity is entirely at the Laboratory's risk because if the award does not materialize the MBL will have to internally fund those expenses incurred. OSP may require an alternative funding source prior to approval of pre-award spending.

Once the official award notice is received by the Office of Sponsored Programs, the notice is sent to the Grants Specialist for set up and administration of the account. The award is assigned a unique internal job number for all expenses to be charged for this project. The Grants Specialist reviews the award for special conditions, reporting requirements, cost sharing agreements, budgets, rules and regulations, allowable cost principles and expiration date. If applicable, these items are entered into the accounting database and award folder. The PI is informed of the job number via email and added to his/her Financial Services website for ongoing report access. The job number is also communicated to service center managers via email to allow charges on the new award.

2.5 Types of Awards

The Federal Grant and Cooperative Agreement Act of 1977, established standards that agencies are to use in selecting the most appropriate funding vehicle; a procurement contract, grant or cooperative agreement. The essential distinction between a contract, grant and cooperative agreement is the degree of Federal involvement.

a) Procurement Contracts

An agency is to use a procurement contract when “the principal purpose of the instrument is to acquire (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government.” 31 USC 6303.

b) Grant Agreements

An agency is to use a grant agreement when “the principal purpose of the relationship is to transfer a thing of value to the ...recipient to carry out a ... purpose of support or stimulation authorized by a law of the United States instead of acquiring property or services for the direct benefit or use of the United States Government,” and “substantial involvement is not expected” between the agency and the recipient. 31 USC 6304

c) Cooperative Agreements

An agency is to use a cooperative agreement when “the principal purpose of the relationship is to transfer a thing of value to the... recipient to carry out a public purpose of support or stimulation authorized by a law of the United States instead of acquiring property or services for the direct benefit or use of the United States Government,” and “substantial involvement is expected” between the agency and the recipient. 31 USC 6305

3.0 Budgets, Rebudgets, Subawards & Cost Sharing

3.1 Budget Development and Approvals

All budgets to be submitted in grant, contract or cooperative agreement proposals as prepared by the PI and must be approved by the Office of Sponsored Programs (OSP). Regardless of whether the funding agency requires a detailed budget, a detailed budget and budget justification must be submitted to the OSP with sufficient lead time to make adjustments and to check for compliance with agency and program-specific policies and guidelines. Proposals in which the MBL will be the recipient of a subaward from another institution require similar approval.

3.2 Award Processing

When an award is received by the OSP it will be reviewed for any changes from the original proposal, for reporting requirements and for any other award-specific requirements. A copy of the notice of grant award, the approved budget and justification, and the reporting requirements will be distributed to Grants Accounting, the PI and the Center/Program Administrator. Grants Accounting will create a new cost center in the financial system and input the approved budget.

3.3 Subawards

When a proposal is being developed that includes a subaward to another institution, the MBL requires a budget, budget justification and, usually, a statement of work from the subawardee institution. The budget and justification must be approved in writing by a signatory official in the subawardee's grants office. In accordance with federal policy and MBL's DHHS-negotiated indirect cost rate agreement, Indirect Costs are collected on only the first \$25,000 of each subaward.

Subawards, approved by the funding agency, are prepared by the Office of Sponsored Programs which is also responsible for negotiating with the subawardee institution. Prior to issuing annual amendments to subawards, OSP will request approval from the PI (or designee) to assure that the subawardee is performing satisfactorily (see Responsibilities of Principal Investigator).

When a proposal is being developed in which the MBL will be the recipient of a subaward, the OSP must approve the budget and budget justification and, usually, a statement of work or abstract describing what is expected of the MBL scientists. The Manager of Sponsored Programs will provide a Letter of Intent (LOI) to the awarding institution indicating the MBL's intent to collaborate and indicating approval of the budget.

3.4 Consultants

Consultants itemized in budgets are usually fee-for-service providers who have specific knowledge, skills or equipment/facilities required to pursue the aims of the sponsored program. The consulting arrangement is formalized in an Independent Contractor Agreement. A standardized Agreement document is obtained from, and reviewed by, the Office of Human Resources. The Agreement must be approved by the Chief Financial Officer or Controller and, if grant funded, by the Manager of Sponsored Programs for compliance with the award budget and agency requirements. Original Agreements are retained by the Accounts Payable Office and must be on file for payments to be processed.

3.5 Rebudgeting

With most federal grants and cooperative agreements, the awarding agency gives the institution considerable authority to approve the rebudgeting of funds with only a few exceptions. In all cases, rebudgeting and prior approvals will be in accordance with grantee and MBL restrictions, rules and regulations. Within this authority the MBL requires that the PI obtain initial prior approval of a rebudget action from the Office of Sponsored Programs and a final approval by the Grants Specialist. Both must agree that the rebudget (1) is consistent with grant terms and conditions, (2) is consistent with grantor and MBL policies, (3) represents effective utilization of resources and (4) does not constitute a significant project change. Examples of when approval to rebudget is required include:

- Salary and fringe benefits must be rebudgeted when the difference in the anticipated expenses exceeds by 25% or is less than 25% of the budgeted amount.
- Increases, decreases, or the addition of third party contracts (consultants) or subawards. Investigators should be aware that in many cases, changes in subawards require grantee agency approval.
- All capital expenditures (equipment) require either an approved available amount in the award budget or an approved rebudget.
- Any change (increase or decrease) in a single direct cost budget category from the categorical commitment level established for the budget period that is more than 25 percent of the total costs awarded
- In all rebudgets, allowance must be made for the impact on Indirect Costs.

3.6 Cost Sharing

All cost sharing (matching funds) must be approved in advance prior to submission of a proposal. The usual policy of the MBL is to only approve cost sharing when it is specifically required by the granting agency and only to the level required by the agency. Volunteered cost sharing is discouraged. The proposed cost sharing must be approved by the Manager of Sponsored Programs, the Grants Specialist and, if MBL funds are to be used, by the Chief Financial Officer or the Controller. Only non-federal funds may be used for cost sharing. If a proposal is to be funded at a reduced amount, the cost sharing should be reduced proportionately. The cost sharing will be accounted for in a separate cost center associated with the prime award. All cost sharing including "in kind" cost sharing must be documented and accounted for.

4.0 Employees, Salaries and Fringe Benefits

4.1 Hiring

Authorization to hire new scientific employees is initiated by the PI or designee and passed on through Human Resources, (HR). An "Authorization to Hire Form" is used to document approval for hire. New hire requests under awards require approval by the OSP, HR, and Financial Services, (FS), prior to an offer of employment. The authorization form contains general information regarding the employee and details of the position.

4.2 Fringe Benefits

4.2.1. The MBL, either as required by federal or state statute or by its own discretion offers an array of fringe benefits to its employees. Fringe Benefits may require a contribution by the employee when certain circumstances are met. The MBL recovers the employer costs of providing these benefits to employees working on grants and contracts by the application of a federally approved fringe benefit rate. The rate is a Fixed Rate negotiated with the Department of Health and Human Services (DHHS), Division of Cost Allocation. The rate is computed by FS annually and submitted to DHHS for approval. The rate is then applied to all personnel wages, including both full and part-time employees. This rate is applied uniformly to all MBL cost centers and covers the employer share of the following fringe benefits:

- FICA
- Health Insurance
- Dental Insurance
- Unemployment Compensation
- Life Insurance
- Long Term Disability
- Workman's Compensation
- Pension (TIAA/CREF)
- Sick Leave Pay
- Vacation Expense Accrual
- Post Retirement Health Care

4.3 Changes in Employment Status

Changes to employee status are typically originated by HR. A Change of Employee Information Form generated by HR serves as documentation and approval for most changes to employees' status pertinent to payroll activities in FS. Changes in status include rate of pay, personal data, tax information changes and/or changes in deductions or benefits. Also title, union status and full or part time designation are also included.

4.4 Employee Expense Reporting

4.4.1 Biweekly Payroll Time Sheets for all employees are available "on-line" through a FS's web based time sheet data base. Typically time sheets are to be completed by employees on the Friday preceding the start of a new pay period. Employees must account for all scheduled hours or used for vacation or sick time, allocating all hours worked to all applicable cost centers. Time sheets are then approved by supervisors "on-line". Once time sheets are approved, the Payroll Office reviews the data base for completeness prior to submitting the hours to the third party service center, (ADP) for processing.

4.4.2 Subsequent to processing the Payroll Office records the applicable payroll entries in the general ledger. Entries for salary and fringe expense are automatically recorded by the Payroll Office via a file provided by ADP. PIs and Center Administrators are able to review payroll and fringe cost via their web financial statements (see Section 7.1). If allocation transfers become necessary the PI can prepare expense transfers, (see Section 6.5). Time and Effort certification is addressed in Section 7.2.

4.4.3 Payroll-related policies are described in the MBL Policy Book with certain information now available "on-line" under HR on the MBL web site. These policies are incorporated here-in by reference. The Payroll related policies for the Bargaining unit, when applicable, are governed by the existing Contract between the MBL and the Hospital Workers Union, Local 767, SEIU, AFL-CIO.

5.0 Purchasing

5.1 Purchasing Policies and Procedures

The current policy of the MBL is to procure only those goods and services that are required to perform the mission or fill a bona fide company need. Procurements will be made with complete impartiality based on the merits of supplier proposals and applicable related considerations such as price, delivery, quantity, and quality, etc. Purchase Order numbers are generally required for all activities at the MBL. All Purchase Orders are encumbered on the award upon granting of the number. Certain ongoing activities are excepted from this general rule. Examples of these exceptions are purchases on an MBL credit card, fees and memberships, stockroom purchases, etc. For additional purchasing policies and procedures reference the MBL Policy Manual.

Note, subaward purchase orders are issued by the Office of Sponsored Programs Administrative Assistant, not the MBL Purchasing department. Equipment processed through purchasing and received by the MBL is tagged initially and inventoried every two years in accordance with federal guidelines.

5.2 Equipment

Equipment consists of nonexpendable, tangible property items costing greater than \$5,000 and having a useful life of greater than one year. All equipment purchases are to be made through the MBL Procurement Office, which follows the MBL policies and procedures for handling these orders. Equipment items are exempt from the pre-determined indirect rate for the majority of Federal awards. Competitive bids from three vendors are required for any expenditure greater than \$25,000. For detailed instructions concerning purchasing equipment on Research grants and competitive bids, please see the Purchasing Policies and Procedures in the MBL Policy Book.

6.0 Cost Allowability

Office of Management and Budget (OMB) Circular A-122 establishes the principles for determining costs applicable to grants, contracts and other agreements for non-profit organizations. These principles are designed to provide the federal government its fair share of the total cost, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law. Grant Accounting reviews payment and reimbursement requests to ensure expenses are allowable under this circular.

6.1 General Cost Guidelines

- Costs must be reasonable. This is defined as the action a prudent person would have taken under the circumstances.
- Costs must be allocable to a particular grant, contract, cooperative agreement or project objective in accordance to the terms of the award. Any cost allocable to a particular award or other project objective may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.
- Costs must be given consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances.
- Costs must conform to any limitations or exclusions set forth in the Circular A-122 principles or in the terms of the award. Limitations include for example, the requirement to use a U.S. air carrier for reimbursement of foreign travel through a federal award, and reimbursement of alcoholic beverages will not be reimbursed from any federal award.

6.2 Specific Cost Guidelines

Principal Investigators are to review the following webpage for specific categories allowable under Circular A-122. The latest revision of this circular was May 10, 2004 – Grant Accounting will notify the MBL community when the next revision is released.

<http://www.whitehouse.gov/omb/circulars/a122/a122.html>

6.3 Prior Approvals

As mentioned above, all payment or reimbursement requests are reviewed by the Grant Specialist to verify that the cost is allowable, allocable and reasonable for purchases on sponsored projects. If prior approval is required by either the Federal agency or by MBL internal policies, the Principal Investigator must submit a written request to the Manager of Office of Sponsored Programs. It is the responsibility of the PI to see that the approval is received prior to placing or paying the order.

6.4 Travel

All air travel, including foreign travel, will be made via US carrier unless prior approval from the Office of Sponsored Programs is obtained. All travel outside the local area must be approved by the Principal Investigator. Travel Reimbursement forms are to be completed for reimbursement and should include purpose and dates of travel. The current MBL per diem rate can be claimed for reimbursement; however, if claiming the per diem, meal receipts will not be paid. Cost of alcoholic beverages will not be reimbursed from any federal grant or contract. Travel advances can be obtained with PI approval and must be reconciled after the trip, which includes a Travel Reimbursement form and expense receipts. Federal funds cannot be used to make trips for the purpose of securing additional funding. For additional travel procedures, reference the MBL Travel Policies and Procedures.

6.5 Expense Transfers

The Principal Investigator is responsible for reviewing all expenses posted to a project agreement via the FS website (see Recordkeeping). If it is determined there were expenses posted in error an Expense Transfer Document is to be submitted to Grants Accounting. This document must include an explanation for the transfer, the job/account numbers involved and the total amount transferred by account. Also the document must be accompanied with a FS website print out with the specific line items highlighted for accurate invoice or Purchase Order number reference. Please note to reduce a deficit by transferring the expense to another project is not an acceptable reason for a transfer. The cost must belong to the account being charged. Expense transfers, in general, are closely reviewed by auditors and must have supporting documentation for such actions.

7.0 Recordkeeping

It is recommended that each Principal Investigator keep internal accounting records of expenses and purchase orders to stay current with commitments made during the project. The Financial Services office is responsible for official Laboratory accounting records for the preparation of reports and the annual audit. Under current federal regulations, accounting records are retained for three years from the date of submission of the final expenditure report.

7.1 Financial Services Website

Financial Services has a website for accessing grant and other agreements on the accounting system. The following are directions to access the system. A username can be obtained by contacting the Grants Specialist. Please contact Dave Space at ext. 7232 or dspace@mbi.edu to create your password.

1. Accessing the system
 - a. MBL Home Page – <http://www.mbi.edu>
 - b. Administrative & Technical Services
 - c. Financial Services
 - d. Financial Statements
 - e. Insert Username & Password (Note these ARE case sensitive)

2. Monthly Financial Statements Setup
 - a. Insert 7 digit cost center number
 - b. Consolidated MFS to receive cost centers linked together. OR
 - c. Abbreviated MFS to receive an overview not detail information
 - d. Email to address is to export information out of the internet site
 - e. Time period defaults to year to date – however another time period can be chosen
 - f. Press the MFS button to run report

3. MFS Report – any highlighted amounts can be drilled down into to get more details.
 - a. Month-to-date column – any highlighted number can be clicked on to view individual postings
 - b. Year-to-date column or Period-to-date column shows the time frame chosen.
 - c. Life-to-date column – life to date charges
 - d. Encumbered column– items processed through purchasing but have not been actually paid for yet. When the invoice is paid, the charge will move out of encumbered and into month-to-date.
 - e. Budget column– reflects life to date budget (not period to date even when chosen).
 - f. Balance column– take life to date expenses minus encumbrances against the budget entered.

*The charges listed on the website are from the previous day, therefore realize that not all charges have been posted to your account and for this reason there is not a balance row at the bottom of the report. Please contact Liz Bull, Grants Specialist @ ext. 7252 for questions concerning the on-line financial statements.

7.2 Effort Reporting and Certification

The MBL is required under Federal regulations to make monthly time and effort certifications. Federally sponsored awards to the MBL fall under the jurisdiction of the Office of Management and Budget (OMB) Circular A-122, Cost Principles for Non-Profit Organizations (05/10/2004). In accordance with Selected Items of Costs Policy 8, Compensation for Personal Service, Support of Salaries and Wages, the MBL will maintain monthly personnel activity reports on all individuals involved in federally-sponsored research. The reports will meet the following standards:

- The reports will reasonably reflect the after-the-fact allocation of the activity of each employee.
- The report will account for the total activity for which employees are compensated and which is required in fulfillment of their obligation to the MBL.
- The monthly report will be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities of the employee, indicating that the distribution of activity represents a reasonable estimate of the actual work performed by the employee.
- The reports are generated from a payroll system based on a 40-hour work week, but the PI's and employees must recognize that this report must account for the total activity required to fulfill the employee's obligations to the MBL. Thus, if an investigator actually works 60 hours in a given week and approximately 15 of those hours are devoted to Grant A, the investigator can certify that 25% of his/her effort was devoted to Grant A. However, in the payroll system this would be recorded as 10 hours of a 40-hour work week.
- The reports will also document and account for time committed to cost-sharing on federal programs.
- Vacation time shall be allocated to federal cost centers in proportion to effort expended on that cost center during the vacation accrual time period. Prior to the end of a grant, investigators and employees shall be encouraged to utilize their accrued vacation.
- Time spent preparing grant applications, teaching in courses and in other MBL administrative duties cannot be charged to federal grants.

8.0 Facilities and Administrative Rates

Research institutions are eligible for reimbursement of Facilities & Administrative costs (a.k.a. F&A or Indirect) related to federal and private grants and contracts. As referenced in Chapter 1 of this Compliance Manual, the federal guidelines referenced for administration of federal awards are OMB A-110, A-122 and A-133. According to A-122, research costs are classified into two categories, Direct costs and F&A costs.

Direct costs are those costs that can be identified specifically with a particular final cost objective; i.e. a particular award, project, service or any other direct activity of an organization. However, a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstances, has been allocated to an award as an indirect cost.

F&A Indirect Costs are shared expenses related to an institutions facilities and administration. Facilities costs are defined as allowances for depreciation and use of buildings and equipment; interest on debt associated with buildings and equipment placed into service after 1982; operation and maintenance expenses, and library expenses. Administrative Costs are defined as general administration and general expenses such as the central office of the university president, financial management, general counsel, and management information systems; departmental administration; sponsored-project administration; and student administration and services that are excluded or limited when computing rates for research. OMB A-122 defines indirect costs as those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

8.1 Cost Recovery Objectives and Rate Calculation

The objectives of the cost recovery system is to allocate operating costs of supporting activities among the various benefiting cost recovery pools or final cost objectives. Ultimately this process results in identifying and allocating costs of supporting activities to research and all other MBL activities. The supporting activities objectives are organized into the following categories; Depreciation, Interest, Plant Operations, Administration, Library, Research Services, Marine Resources.

8.2 Determining the F&A Rate

The F&A rate is determined by dividing the operating costs of supporting activities, by the Modified Total Direct Costs (MTDC), for research activities. Modified Total Direct Costs is equal to direct costs less exclusions (i.e. equipment and payments to subrecipients in excess of \$25K). MTDC is considered the accepted base for allocating F&A costs because these costs are thought to be a reasonable indicator of how much benefit the project derives from the shared facilities and administration. Equipment and subawards usually involve large expenditures and yet do not necessarily take advantage of an institution's infrastructure. Therefore they are typically excluded from MTDC when calculating the base.

8.3 Cost Proposal Preparation and Negotiation

The F & A recovery proposal is calculated on a regular basis by Financial Services. The proposal is submitted typically on a 2 or 3 year cycle to our cognizant agency, DHHS. The F & A rate is then negotiated and approved after a review by the cognizant agency. Most federal agencies will accept the DHHS approved rate.

8.4 Implementation

The approved rate is then used for future proposals to the applicable number of years to complete the project. When the negotiated award is received, the approved indirect rate is loaded into the accounting system, which automatically accrues the rate to applicable expenses. Questions regarding the indirect rate and supporting calculations should be directed to the Office of Sponsored Programs or the Controller's Office.

In proposal preparation, prior approval from the Manager of Sponsored Programs and the CFO is required for a reduction or waiver to the negotiated IDC rate.

9.0 Reporting and Other

9.1 Audits

The Marine Biological Laboratory is required under OMB Circular A-133 to contract independent certified public accountants to conduct an audit of our financial records and internal controls related to federal compliance. This is required for non-profit institutions that receive and expend federal monies to ensure proper administration of the funds.

9.2 Process

The MBL is on a calendar year basis with our financial statements being audited for the period of January to December. The independent CPA firm currently contracted is KPMG. They begin the audit process with a selection of Federal grants and reviewing individual selections of expenses. The Principal

Investigators are usually not notified if one of their grants has been selected for review.

9.3 Findings

When the audit is completed, a copy is submitted to the Federal Clearinghouse for all funding agencies to review. The PI is notified if any findings have been reported on any of their grants. Findings may include disallowable expenses in which the MBL may be required to repay the Federal government. However, usually the findings are explained in a formal correspondence directly with the sponsoring agency. If disallowable costs are to be removed it will be resolved between Financial Services and the PI.

9.4 Federal Audits

Occasionally, a specific agency will do an on-site administrative audit of a specific grant. Financial Services is responsible for retrieving the information requested and the PI is notified that the Federal government is questioning their grant. These audits are typically used to assess the Institution's management of Federal awards and are usually more aggressive than the annual independent audit.

9.5 Closeout

The requirements for closing out federal awards and subawards vary considerably between agencies. The Grants Accounting Office, the Office of Sponsored Programs and the Principal Investigator share responsibility for timely submission of closeout documents.

- Grants Accounting is responsible for submitting final Financial Status Reports and Federal Cash Transaction Reports.
- OSP is responsible for notifying PI's what reports are due and when they are due as well as submitting final invention and equipment reports as might be required by different agencies.
- The PI is responsible for the final scientific or technical report.

9.6 Equipment Disposal

It is the policy of the MBL and most Federal Agencies to use all equipment and materials to its full cost effective end. The Principal Investigator is responsible for declaring the discontinued use to the Facilities Manager, who is to determine the proper disposal or other internal use. The PI or Facilities Manager is to notify the Manager of Sponsored Programs prior to disposal when equipment purchased with federal funds is deemed to have a fair market value in excess of \$5,000 or government owned property of any value. The Manager of Sponsored Programs will then determine what additional procedures may be required to ensure the disposition is executed in accordance with the applicable federal guidelines.

9.7 Adjustment Period

This time period is to allow the PI to conduct a final review of all charges on the project and to submit corrections needed. All documents to charge or correct charges to sponsored projects must be received by the Grants Specialist within thirty days of the expiration date. After this adjustment period the close out of the accounting records will be initiated and the Final Financial Report will then be prepared and submitted by the Grants Specialist.

10.0 Procedures Clarification and Updates:

Procedures clarification and updates are available from the Financial Services Office.

