Financial Approver Training for Procurement on Sponsored Projects

Deb Cundiff - McCormick
Katherine Mustea– ASRSP
3/9/21

- Good afternoon everyone. Thank you for joining us in Financial Approver Training for Procurement on Sponsored Projects. We would like to thank NURAP for organizing this session for us to present. Little background on how this training was put together. Members of post award group which consist of department representatives from both Evanston and Chicago campus decided that we had to put together some kind of training for staff who have the roll of approvers in the departments on sponsored projects. So a small group of dedicated staff got together and built a presentation to support approvers at NU. Even though this training is geared to approvers, we think it is also useful for staff who are also processing the transactions.

Learning Outcomes

- What is my responsibility as a financial approver?
- As an approver of sponsored financial transactions, what rules and regulations do I need to know?
- How can I determine if an item is an allowable expense on a grant?
- What are common issues with specific transaction types?

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As I mentioned, This presentation was as a result of the Post Award Work Group initiative to improve practices at Northwestern. From this presentation you should come away with understanding what is your responsibility as an approver. You will get an understanding of the rules and regulations you must follow and help you determine what is allowable. Finally you walk way with an understanding of what the common issues.

Financial Approver Training for Procurement on Sponsored Projects

I. What is Procurement?

II. Rules and Regulations

III. Purchasing and Payments

IV. Expense Reports

V. Conclusion

VI. Tools

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- Here is an outline of the Area's we will be discussing. I will cover the first 2 , Deb will cover the final 3 and together we'll cover the final one and answer any questions.

I. What is Procurement?

What is Procurement on a Sponsored Project?

Strategically selecting a needed <u>external</u> contribution to the project

- Procurement is obtaining an external good or service:
  - Supplies & Services
  - Subcontracts
  - Consultants
  - Equipment
  - Research Subject Payments
  - Travel

- Procurement is not:
  - Employee and Student Wages
 - Benefits
  - Tuition

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Procurement on a sponsored project is the strategic selection of an important external contribution needed for a project. Examples of procurement are obtaining a good or service such as supplies, services, subcontracts, consultants, equipment, research subject payments or travel. Procurement is not wages, benefits or tuition.

Why is procurement, and the proper implementation of it, important?
Procurement on sponsored awards, is process that concentrates on finding and acquiring cost effective products that contributes to the growth of research . In addition, we need to ensure our vendors are paid when they have provided such resources. Proper implementation of procurement is essential since Northwestern is obtaining such services with government funds and it is our responsibility to ensure tax payer dollars being used are properly spent.
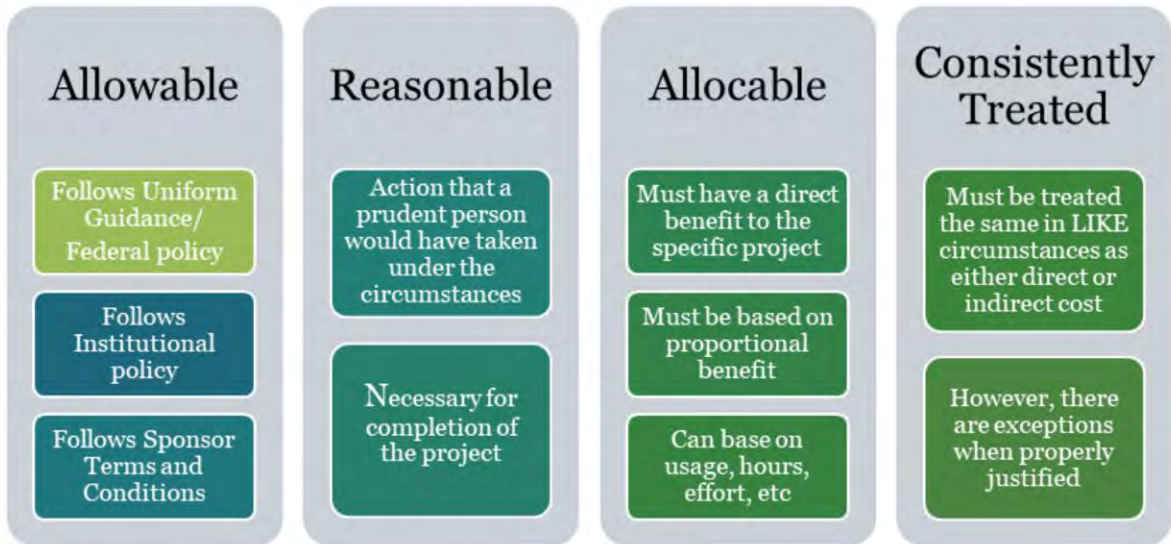
II. Rules and Regulations
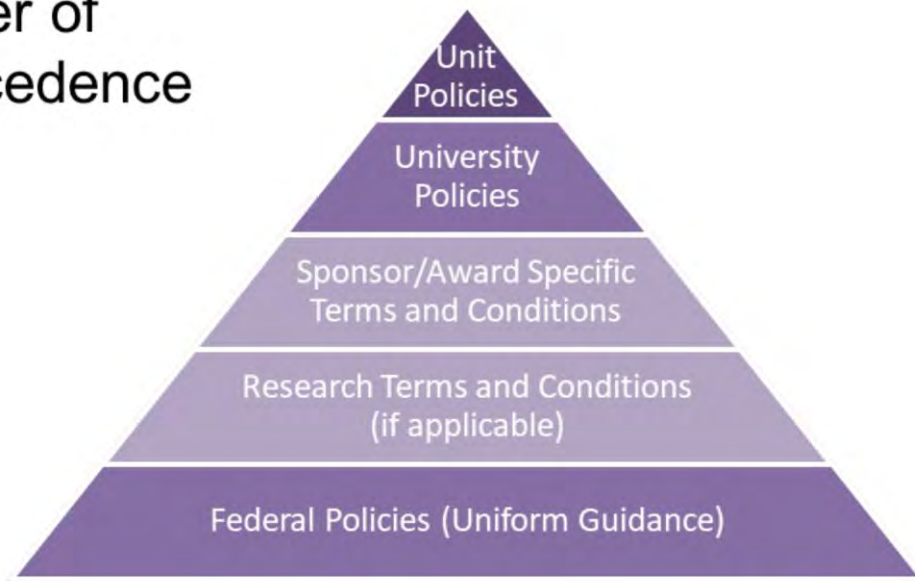
- Rules and regulations pertaining to sponsored projects can vary depending on multiple factors. To ensure compliance with all the requirements related to your award, it is essential that you understand where to seek out the necessary guidance to navigate the various layers of policies, procedures and laws. The hierarchy of regulations specifies which regulations supersede if there is a conflict. First, start with your unit policies. It is very important to be familiar with the policies your units have implemented. For example some schools have restrictions on travel reimbursements. If the charge meets your unit's policies you can move on to the next level which is University Policies, again you need to know the universities polices to be able to make the decision. Third level is the sponsor's terms and conditions. You should familiarize yourself with award document and review the program announcement/solicitation, which may also contain specific guidelines that must be followed. The specific federal agency/sponsor general guidelines might be more restrictive and would apply in a case where the agency guidelines conflict with more general federal guidelines. Last, at the bottom of the pyramid and applicable to all federally sponsored agreements are Federal Laws or Regulations, including OMB's Uniform Guidance.

Federal Policies

- All federal projects must follow OMB Uniform Guidance
- OMB Uniform Guidance 2 CFR 200, subpart E is a set of instructions to Federal agencies regarding principles for determining costs applicable to research and other sponsored work
- Includes key guidance on:
  - Cost principles and whether costs are allowable vs. unallowable
  - Direct costs vs. indirect costs
  - Required bidding processes
  - Cost allocation methodology
- [Northwestern Cost Allowablity Guide](#)

Uniform Guidance: Guiding Cost Principles

Allowable	Reasonable	Allocable	Consistently Treated
Follows Uniform Guidance/ Federal policy	Action that a prudent person would have taken under the circumstances	Must have a direct benefit to the specific project	Must be treated the same in LIKE circumstances as either direct or indirect cost
Follows Institutional policy	Necessary for completion of the project	Must be based on proportional benefit	However, there are exceptions when properly justified
Follows Sponsor Terms and Conditions		Can base on usage, hours, effort, etc	

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- Uniform Guidance contains a set of cost principles that are required to be followed for every purchase on a sponsored project. Cost has to be allowable, Reasonable Allocable and consistently treated.
- A cost can be allowable but not reasonable. You have to make sure it is necessary it has direct benefit to the specific project, and has to be treated consistently as a direct or indirect cost.

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Uniform Guidance: Justification & Allocation

- Under Uniform Guidance, 200.405 (d),
  - A cost **benefiting two or more projects** must be allocated to the projects based on the **proportional benefit**.
  - If the proportional benefit cannot be determined because of the interrelationship of the work involved, then the costs may be allocated on any **reasonable documented basis.**
- Cost principles guide us to ensure costs are justified, however it may be helpful to utilize the following Northwestern tools if it is unclear whether and how costs should be applied:
  - Sponsored Project Purchase Justification
  - Multiple Project Allocation Form

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https://www.northwestern.edu/asrsp/docs/sponsored-projects-purchase-justification-v6.pdf
https://www.northwestern.edu/asrsp/docs/multiple_project_allocation_form.doc

Uniform guidance also has instructions when someone is buying items that are being paid by several projects. Or When your buying equipment or computer.   You need to be able to justify how you split your costs.

When you process a cost transfer be mindful to include this documents as well.

indirect costs represent the expenses of doing business that are not readily identified with a particular award or activity, but are necessary for the general operation of the organization and the conduct of activities it performs. In theory, costs like heat, light, accounting and personnel might be charged directly if little meters could record minutes in a cross-cutting manner. Practical difficulties preclude such an approach. Therefore, cost allocation plans or indirect cost rates are used to distribute those costs to benefiting revenue sources.

Uniform Guidance Procurement Standards

- Federal goal to increase reuse of existing equipment and supplies, increase competition when purchasing equipment and supplies, and to minimize sole sources
- Requirements:
  - Unless purchased from an NU preferred vendor, multiple bids must be solicited for purchases of $10,000 or more on sponsored projects
  - Purchasing Decision Documentation form, available on Procurement and Payment Services (PPS) website, must be completed & attached to order
  - Bids of $250,000 or greater using sponsored funds will be formally conducted by PPS
  - Cost transfers over $10,000 from a non-sponsored to sponsored chart string must also have documentation that multiple bids were received or an approved sole source justification

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https://www.northwestern.edu/asrsp/docs/uniform-guidance-procurement-guide.pdf

The government wants us to be frugal with our money, they want us to look for the most cost effective products, recycle , reuse and minimize sole sources.
Cost over 10K required multiple bids unless your using the negotiated agreements (NU Preferred vendors).   If you go outside of NU Preferred vendors you need to gather all the purchasing documentation and bids.   In addition you must provide that information when you process a cost transfer.

Other Policies to Remember

- Sponsor/Award Specific Terms and Conditions
  - Including solicitation and program announcement
  - Some federal sponsors use a set of federal wide research terms and conditions (RTC) which are noted on the award document. These terms can waive a prior approval requirement for rebudgeting and allow for flexibility in spending outside proposed budget categories
    - Refer to RTC matrix for sponsor-specific terms and exceptions, https://www.nsf.gov/awards/managing/rtc.jsp
- University Policies
- Unit Policies

All of the above are auditable!

- Including solicitation and program announcement, for example Foundation awards have their sets of terms and conditions, they might have budgetary restriction, like fringe benefit or how much they allow on re-budgeting on budget categories, or they can have restrictions on travel.
- Be aware of non-federal award terms and conditions they are different and may not allow rebudgeting without a formal request.
- Some federal sponsors use a set of federal wide research terms and conditions (RTC) which are noted on the award document. These terms can waive prior approval requirement for rebudgeting and allow for flexibility in spending outside proposed budget categories. RTC Example: Funds budgeted for faculty salary can be used for supplies or to support a graduate student instead
- University policies
- Unit policies

Segregation of Duties

- Departments/Schools have 3 levels of approvers:
  - Level 1 – 0 to $1,499
  - Level 2 – $1,500 to $4,999
  - Level 3 – $5,000 or more
- As an approver, it is important to know who in your school is responsible for reviewing the various components of a transaction. If you are unsure then find out before any assumptions are made.
- ASRSP reviews all:
  - Travel expense reports
  - Subcontracts
  - Contracted services
  - Sponsored expenses $5,000 or more

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- Remember not all the purchases go through all approval levels. Know what level of approval you are at, review the cost; go through the various components of the transaction and making sure the purchase can be approved.
- ASRSP doesn't review all the transactions, we only review and approve, Travel expense reports, Subcontracts, Contracted services, Sponsored expenses $5,000 or more. So anything that is not under these categories will not get reviewed, and will not be discovered by ASRSP until after the grant ends.

Approvers Must

- Mitigate
  - Overcharging a sponsored award
  - Non-compliance with all applicable terms, conditions and policies, which could result in audit findings
  - Reoccuring correction journals
    - Administrative time spent on making corrections is better spent on following proper internal controls
- Increase
  - Routine communication of expenditures and reconciliation with PI
  - Staff knowledge of compliance requirements
  - Positive responsiveness to questioned costs
  - Staff training on allowability

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https://northwestern.box.com/v/gm096-review-and-workbook

- As an approver, you should pay attention to over charging the sponsored awards, pay attention to the budget and funds available to spend, so the award will not go in to deficit. If you're prespending make sure you notify the approver at next level make a note of it in comments. Then monitor you don't pre-spend for more than 3 months without following up with the sponsor.
- If you see the charge is not compliance with the applicable terms and conditions, and policies do not approve, this can result in audit findings
- If you stop the charge at approval time this will prevent correction journals. Correction journals are one of the biggest red flag at audit time. Think of all the administrative time that is spent on making the corrections, which can be better spent on other things.

- Increase your communications with your PIs so they can communicate needed adjustments to you. If you see your office submitting correction after correction then there is business process problem. You should investigate and see how to improve this issue. Perhaps the problem is at the lab using an expired chart string -- please bring it to their attention. Increase the reconciliation of the accounts, if not monthly at a minimum quarterly. Utilize the GM096 report for your reconciliations.
- Encourage your staff who are processing the requisitions to get training on cost allowability and compliance requirements. Do you find one particular person sending items over incorrectly take the opportunity to discuss what they are doing wrong.

Quiz #1

1. Which rules/policies must be followed on a sponsored project?
   a. Federal policies
   b. University policies
   c. Sponsor policies
   d. Award terms and conditions
   e. All of the above

Answers to Quiz #1

1. Which rules/policies must be followed on a sponsored project?
   a. Federal policies
   b. University policies
   c. Sponsor policies
   d. Award terms and conditions
   e. **All of the above**

Quiz #1

2. Which of the following policies are not included in Uniform Guidance?
   a. Cost principles
   b. Direct costs vs. Indirect costs
   c. Maximum meal thresholds
   d. Required bidding process
   e. Allocation

Answers to Quiz #1

2. Which of the following policies are not included in Uniform Guidance?
   a. Cost principles
   b. Direct costs vs. Indirect costs
   c. **Maximum meal thresholds**
   d. Required bidding process
   e. Allocation

Quiz #1

3. True or False. Uniform Guidance procurement standards require multiple bids be obtained for all sponsored project purchases of $10,000 or more.

Answers to Quiz #1

3. True or False. Uniform Guidance procurement standards require multiple bids be obtained from all sponsored project purchases over $10,000. **False, multiple bids must be obtained from all sponsored project purchases over $10,000 only if the purchase is not from an NU preferred vendor.**

III. Purchasing and Payments

Purchasing and Payments

Types of Transactions

- Requisitions - Purchases
- Requisitions - Grant Subcontracts

- Direct Payment Requests – Invoice check request
- Direct Payment Requests - Contracted Services

- Expense Reports
  - Corporate Card Purchases

- Wire Transfers

Purchasing and Payments Approval Process
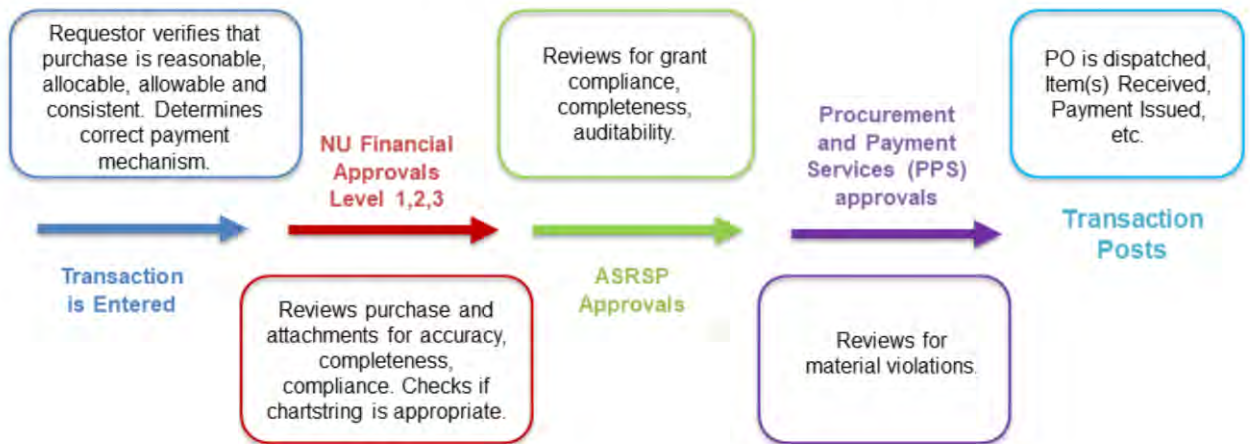
It's helpful to know what other approvers in the workflow are reviewing and evaluating. For example, who in your department or school is confirming that there is a sufficient available balance?

Requisitions - Purchases

Entered in NUFinancials. Can be catalog (iBuyNU) or non-catalog. Once approved a Purchase Order is generated and sent to the vendor.

Common issues to look for as an approver:

- For non-catalog requisitions, typos in quantity and price
- Incorrect account code
- Missing quote or other back-up documentation
- For non-Preferred vendor purchases $10k and more, missing Purchasing Decision Documentation
- Missing applicable justification (Purchase Justification, Multiple Project Allocation form)

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Requisitions - Grant Subcontracts

Subcontracts negotiated through OSR. After agreement is drawn up and signed, a requisition is initiated in NUFinancials.

Common issues to look for as an approver:
- Incorrect account codes. Should use:
    - 78640 - subcontract amount up to $25,000
    - 78650- subcontract amount over $25,000
    - 78642 – subcontracts with waived F&A
- Agreement is not uploaded as attachment
- For subcontracts over 10k, missing Purchasing Decision Documentation

Direct Payment Requests – Invoice Check Request

Request payment when transaction does not warrant the issuance of a PO. Used to pay for registration fees, emergency repairs, some recurring expenses , research subject fees

Common issues to look for as an approver:

- Method should not be used to pay invoices for products and services <u>after the fact when a PO should have been issued</u>
- Invoice is missing - should be uploaded as an attachment
- For non-Preferred vendor purchases $10k and more, missing Purchasing Decision Documentation
- Missing applicable justification (Purchase Justification, Multiple Project Allocation form, 90 day Justification)

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Direct Payment Requests – Contracted Services

U.S. resident independent contractor payments to individuals are initiated with both the Payment Request in NUFinancials and a Contracted Services Form. Non-US resident independent contractor payments are processed through payroll.

Common issues to look for as an approver:

- Missing attachments: statement of services, contracted services form for US residents with signatures, invoice or other applicable back-up
- Incomplete or incorrect information on required forms
- For non-Preferred vendor purchases $10k and more, missing Purchasing Decision Documentation
- Missing applicable justification (Purchase Justification, Multiple Project Allocation form, 90 day Justification)

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Expense Report - Corporate Card

- Low value, low risk transactions (unless items are available from a preferred vendor)
- Registration fees and emergencies
- Internet orders for items not available from any other source

Purchases made with an NU Corporate Card need to be reconciled via an expense report in NUFinancials in a timely manner (best practice is every 30 days)

Common Issues to look for as an approver:

- Missing receipts
- Missing applicable justification (Purchase Justification, Multiple Project Allocation form, 90 day Justification)

Wire Transfers

- Request is entered on paper/pdf and is submitted to ASRSP for approval (not in NUFinancials).

Common issues to look for as an approver:
- Missing wire paperwork (DPR form, Domestic EFT form, Int'l EFT form)
- Incomplete, incorrect wire information on DPR and EFT forms
- Missing approvals on DPR form
- Missing statement of services
- For non-Preferred vendor purchases $10k and more, missing Purchasing Decision Documentation
- Missing applicable justification (Purchase Justification, Multiple Project Allocation form, 90 day Justification)

Quiz #2

1. When is Purchasing Decision Documentation required for a transaction that uses sponsored funds?
   a. Purchases of $10,000 or more
   b. Purchases of $25,000 or more
   c. Non-preferred vendor purchases of $10,000 or more
   d. Preferred vendor purchases of $10,000 or more

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Answers to Quiz #2

1. When is Purchasing Decision Documentation required for a transaction that uses sponsored funds?
   a. Purchases of $10,000 or more
   b. Purchases of $25,000 or more
   c. **Non-preferred vendor purchases of $10,000 or more**
   d. Preferred vendor purchases of $10,000 or more

Quiz #2

2. What purchases requires a Purchase Justification? (more than one may apply)

    a. Computer purchases not budgeted in proposal
    b. Lab notebooks, data storage supplies, and report binders
    c. Equipment not budgeted in proposal
    d. Equipment that can only be purchased from a foreign vendor

Answers to Quiz #2

2. What purchases requires a Purchase Justification? (more than one may apply)

   a. **Computer purchases not budgeted in proposal**
   b. Lab notebooks, data storage supplies, and report binders
   c. **Equipment not budgeted in proposal**
   d. **Equipment that can only be purchased from a foreign vendor**

IV. Employee Expense Reports
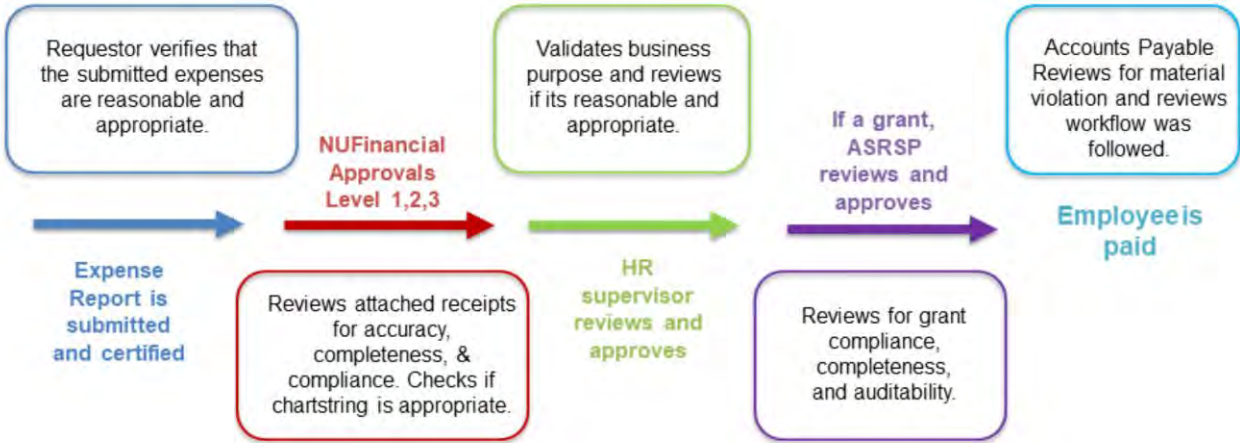
Notable Rules for Expense Reimbursement

- Travel expenses reimbursable only after event completed.
- Fly America Act - Travel sponsored by federal government must be on U.S. air carrier or foreign air carrier that code shares with U.S. flag carrier on the specific flight taken.
- Business or Premium class airfare for travel scheduled for 12 hours or less is not allowable.
- Per Diem vs. Actual Expenses (with receipts) - one reimbursement method must be selected for entire trip.
- Expenses >= $40 without a receipt must be accompanied by Expense Policy Exception request.
- Maximum $90 per person (including tax and tip) for dinner reimbursement while on travel.

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Expense Reports

Common Issues to look for as an approver:

- Insufficient documentation (e.g. missing itemized receipts, missing proof of payment, missing pre-paid receipts such as airfare or conference fees, no clear explanation for how the expense benefited the sponsored project)

- Includes alcohol or entertainment costs

- Incorrect Per Diem usage (wrong rate, includes meals that were provided by the conference and already paid for in the registration fee, etc.)

- Missing currency converter for foreign travel

- Retail sales tax included

- Insufficient or missing justification for expenses over 90 days old

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Expense Report Approver's Responsibility

- Ensure costs are directly work-related (appropriateness), most economical and necessary for University business
- Confirm adherence to departmental, University and State/Federal policies, and other sponsor guidelines
- Confirm the validity and accuracy of funding to reimburse expense report (e.g. expenses allocated to correct chart string)
- Ensure expenses have not been submitted previously or otherwise already reimbursed

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Quiz #3

1. What are common issues with employee expense reports?
   a. Retail sales tax is included
   b. Missing currency converter for foreign travel
   c. Documentation how expense benefited project
   d. All of the above

Answers to Quiz #3

1. What are common issues with employee expense reports?
   a. Retail sales tax is included
   b. Missing currency converter for foreign travel
   c. Documentation how expense benefited project
   d. **All of the above**

Quiz #3

2. What is the Fly America Act?
    a. Travel sponsored by federal government must take place in the U.S.
    b. Travel sponsored by federal government must be on U.S. air carrier or foreign air carrier that code shares with U.S. flag carrier
    c. Travel sponsored by federal government must be approved in the award notice

Answers to Quiz #3

2. What is the Fly America Act?
   a. Travel sponsored by federal government must take place in the U.S.
   b. **Travel sponsored by federal government must be on U.S. air carrier or foreign air carrier that code shares with U.S. flag carrier**
   c. Travel sponsored by federal government must be approved in the award notice

Quiz #3

3. When is flying business class allowable on sponsored funds?
   a. On flights over 12 hours
   b. When the cost of business class is only slightly more than economy
   c. When a researcher prefers to fly business class

V. Conclusion

Financial Approver Responsibility

🏛 Each tier of approval should be looking to protect the University's best interest to the best of their knowledge

📋 Ensure appropriate documentation is attached

⚖ Ensure all applicable terms and conditions are met, including cost principles

🧠 Ensure you fully understand the transaction you are approving

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Don't just push the approval button and assume someone else will catch mistakes.

It Takes a Team!

Research Personnel
NU Financial Level 1 Approver
Procurement & Payment Services
Approved
ASRSP
NU Financial Level 2 Approver
NU Financial Level 3 Approver

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Level 1 – $0 – $1,499
Level 2 - $1,500 – 4,999
Level 3 - $5,000+

PRS – Non-catalog purchases for 25k (excluding subcontracts) or more and all blanket requisitions
ASRSP – Tangible goods over $5,000 , all grant travel, all grant consulting, and all subcontract expenses
Office for Research Safety – special commodity account codes (73340 select agents and 73350 radioactive) . They actually come before level 1 approvals.

Remember, as an Approver you Have 3 Choices

Approve

If you agree with ALL lines of the transaction

Send Back

If you disagree with any part of the transaction

Hold

If you need to conduct further inquiries into the transaction before deciding what action to take

VI. Tools

Tools For Approvers

- https://www.northwestern.edu/asrsp/forms/index.html

Grant Management

- Clinical Trial Invoice Template
- Department Closeout Checklist for Sponsored Projects
- Expense Review Workbook and Instructions
- Indirect Cost Check Workbook
- Principal Investigator Expenditure Certification Checklist
- Program Income Template

Expenses

- Charging Sponsored Projects - Allowability Guide
- Additional Pay Form (myHR login Required)
- Questionnaire for Additional Pay Funded by Sponsor
- Contracted Services Form for U.S. Residents (Financial Operations)
- Foreign Air Carrier Exception/ Fly America Act Waiver Form
- HRIS Journal Entry Form (myHR login Required)
- Multiple Project Allocation Form
- Over 90 Day Rule Justification Memo
- Sponsored Project Purchase Justification

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Additional Information on ASRSP website

Special Thanks To
Post Award Committee Members
Involved in building this Training

Catherine Barrera
Deb Cundiff
Agnes Engstrom
Tiffany Parach
Seletta Nichols
Elizabette Rischall

Thank you for participating in this training. If you have questions, be sure to follow up with your supervisor or unit sponsored research leadership.