

Michigan State University
Contract and Grant Administration
Post-Award Newsletter- Issue 2 - January 2012
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Michigan State University

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Post-Award Newsletter – Issue 2 –January 2012

A light-hearted collection of tips, hints and useful information to help you better administer your sponsored research projects. By Karen Rich

Everything you ever wanted to know about subcontracts but were too afraid (or too embarrassed) to ask.

Subcontract, subaward, subagreement, these terms all refer to the same thing. Michigan State both issues and receives subcontracts, but for the purposes of this discussion we are going to focus on subs issued by MSU to other institutions. MSU issues a subcontract when a portion of the scope of work (SOW) will be performed by another entity, which will retain rights to their intellectual property. The subcontract outlines the work to be done, how much will be paid to the partner institution over what time period, invoicing requirements and any special terms and conditions, such as an advance of funds. Any questions?

How does a subcontract differ from a personal services contract (PSC) or a purchase order?

A purchase order should be used to procure:

- Goods or equipment in excess of \$5000
- Goods less than \$5000 for which funds need to be encumbered
- Vendors and trade services, i.e. dealers, distributors, electricians, mechanics, etc.

A PSC should be used to procure professional services, such as a consultant.

In contract, a subcontract recipient:


- Is specifically identified at the proposal stage (subs added after the grant is awarded typically require agency approval)
- Will perform a significant portion of the SOW
- Is accountable for progress of the work as well as following all applicable guidelines and compliance requirements

Who drafts, negotiates, and issues the subcontract?

Most subcontracts issued by MSU to other US institutions use the FDP format. (Don't know what FDP is? Keep reading!) These are prepared by the Awards Group in CGA. When Awards is notified that a subcontract is required, they will contact the department to get the latest SOW and budget, or to confirm that the ones from the proposal are accurate and correct. CGA will also submit a final draft of the agreement to the department for approval prior to sending it to the sub. This is your chance to confirm that everything is correct or to make any changes. Once both MSU and the subcontractor have signed the agreement, it is considered fully executed. Please be aware, this process can take a few weeks.

Subcontracts that aren't FDP are prepared by the Office of Sponsored Programs (pre-award) and when fully executed are turned over to CGA for administration.

CGA Quiz Time!

Answer the question, win  bragging rights! *What does FDP stand for?* Find the answer later in the newsletter.

What is the procedure for payment once the subcontract is fully executed?

Contrary to a surprisingly widespread belief, MSU does not just send a check to the subcontractor for

the obligated amount. Instead, the sub performs the work as outlined in the SOW, and sends invoices according to the terms of the contract. The invoices should be sent to the department for review and certification.

Wait, why does the invoice come to the department? Can't CGA deal with this?

The PI is responsible for both the financial and technical aspects of the project, including the subcontract. While most federal agencies do not expect site visits, they do expect active monitoring of the sub's progress. If the invoice is accurate and acceptable to the PI and meets the terms of the agreement, the departmental administrator should prepare a disbursement voucher (DV) in KFS. The invoice and PI certification should be attached, as well as any required supporting documentation. Occasionally the sub will send invoices directly to CGA. When this happens, we forward them on to the department.

No check up front? My sub is to a poor African/Asian/Central American institution! If MSU doesn't send the money up front they won't be able to do the work and my entire project will be ruined!

Relax. CGA has mechanisms for dealing with this situation.

One of CGA's jobs is to protect MSU's financial interests. One of the reasons we don't just send money to our subs



upon execution of the contract is that it leaves us very little recourse if the work is not performed according to the agreement. That said CGA also understands the need to occasionally advance funds to subcontractors. *This is not done automatically. It is only done when the PI requests it, and the advance and repayment schedule must be written into the subcontract.* Typically the advance is equivalent to 25% of the total subcontract

amount. Requests for larger advances should be sent to the awards group and will be evaluated on a case by case basis. The advance language should be requested at the time the department is in contact with CGA regarding the budget and scope. This is also one of the reasons the sub is sent to the department for one final review prior to being sent to the subcontractor. If you need an advance for your sub, please make sure the language is included in the agreement before approving it.

It kind of sounds like CGA expects PIs and departmental administrators to read the contracts. Is this true?

Yes. The agreement contains all the important information you will need to know to successfully administer the contract, such as the invoicing and reporting requirements.

What is a PI certification, and why is CGA so hung up on them?

If you have ever processed a DV to pay a subcontractor, you know what a PI certification is, and if you have ever tried to process a payment without one, you found out fairly quickly. You might not know, though, why the certification is so important.



The PI certification looks like this:

"The undersigned certifies that:

- a) The services for which reimbursement is requested have been satisfactorily rendered;*
- b) The costs thereof are proper and due in accordance with the subcontract."*

The PI signs this certification to verify that the subcontractor has done all the work for which they are invoicing, that it is the work that was agreed upon in the scope of work in the subcontract, that the work was completed in a satisfactory manner, and that the requested reimbursement is appropriate.

This is critical, because no one but the PI can verify that the work was completed by the subcontractor as agreed. The departmental administrator and CGA staff can verify that the amount and the dates are correct, but we have no way of knowing whether the work was completed satisfactorily. The PI certification protects MSU against paying for services that were not performed or that did not meet expectations.

Tip

Many departments have a PI certification stamp that they use to stamp the sub's invoice, and they have the PI sign that prior to scanning the document into KFS. It is also acceptable to have the PI sign the certification after it is printed on a separate piece of paper, if that paper is attached along with the invoice. Finally, the PI can add a note to the e-doc that includes the appropriate language.



Anything else?

Picture it. You get a new grant, and it has subcontracts. You get all your subcontracts set up, and everything is going great. Suddenly, you realize that your grant has been going for a year, and one of your subs has only submitted one invoice, and that was six months ago!

Coincidentally, at a university several states away, another research administrator realizes that they have had an award from Michigan State for almost a year, but have only billed once!

Instead of preparing one invoice to get their billing caught up, Other University carefully prepares one invoice for each month of expenses, and sends them all to you. Suddenly you have seven invoices in front of you that need to be paid. Seven new e-docs! All those attachments! Seven PI certifications! Surely there must be a better way.

Surely there is. If you have multiple invoices from the *same subcontractor* on the *same account*, you

can put them all on one Disbursement Voucher (DV). The PI does not need to certify each invoice separately; one certification can be included that covers the entire time period and all the expenses being paid. You can even scan the invoices all together, as one PDF. This will not only save you processing time, but you only have to wait for CGA to approve one document rather than six!

Correction

The email address for Kasey Schiellerd, Reports Group Manager was listed incorrectly in the last issue. Her email address should be marsh229@cga.msu.edu. We apologize for any confusion this may have caused.



Did You Get the Answer?

FDP stands for Federal Demonstration Partnership. Their mission: *The Federal Demonstration Partnership (FDP) is an association of federal agencies, academic research institutions with administrative, faculty and technical representation, and research policy organizations that work to streamline the administration of federally sponsored research. FDP members of all sectors cooperate in identifying, testing, and implementing new, more effective ways of managing the more than \$15 Billion in federal research grants. The goal of improving the productivity of research without compromising its stewardship has benefits for the entire nation.* thefdp.org



Cost Policy Reminders

Let's talk about buying computers on grant accounts. The following is from the CGA Federal Cost Policy, which can be viewed at the post-award portion of the CGA website.

Computers(<\$5k): *Because computers (and related printers, ink toners, and secondary monitors) can be used for many activities including corresponding with students, preparing instructional materials, and other non-project related activities, many auditors believe these expenses are more like an office supply than a project supply and therefore should not be charged to federal accounts. However, when the direct benefit to a project can be established they may be charged directly to a project. For example, a notebook*

computer for a PI's general use would be considered an office supply and therefore not be allowed as a direct charge; however a notebook computer that is necessary because a project is at a remote location and is needed for data collection and/or transmission, would be considered a project supply and therefore allowable. Desktop computers in a faculty office would generally not be allowable as a direct charge to a project whereas a computer in a lab that is needed to perform the project would be allowable. In unusual circumstances (purchases toward the end of a project or when an unusual number of computers are being purchased) the PI may be asked to sign the following certification. I certify that the computer(s) purchased is/are necessary primarily or exclusively to complete the obligations of the award, and is/are not a replacement for my primary MSU office computer.

Please refer to this prior to charging computers to your RC account. If the computers were included in your agency approved budget, please include a copy of the budget and justification with the computer purchase documentation when you submit it in KFS.

KFS Tip

Once the dust has settled, the research is done, the final financial report has been submitted, and the agency has the final technical report, it is time for CGA to close the account in KFS. Did you know that once an account is closed in KFS, it cannot be reopened? It's true. That's why CGA doesn't take the step to officially close accounts in KFS until we are sure everything is complete.

Did you know that when there are documents in "saved" status associated with the account to be closed, KFS reads them as pending expenses, and won't allow the account to be closed? When your department has an account that is being closed, please do a quick check for documents that were saved, but for whatever reason were never submitted. The document initiator can cancel the documents quite easily, but CGA has to submit a service request to find the saved documents and get rid of them.

Questions & Answers

Why did my subcontract payment get disapproved for using the wrong object code? This payment is only \$9000, so I used 6593.

The actual amount of individual payments does not determine the appropriate object code. The first \$25,000 of a subcontract is charged to object code 6593. Once that threshold is met, the balance is charged to 6594. That is \$25,000 for the life of the subcontract, not \$25,000 per year, even though we only obligate one year at a time. This means that at some point, if your subcontract is greater than \$25,000, you will have a payment that is split between the two object codes.



Why are there two different object codes for subcontracts anyway? It can be kind of confusing.

The first \$25,000 of a subcontract is charged to 6593 and the balance to 6594 so the Facilities & Administrative costs will calculate correctly. MSU only charges F&A on the first \$25,000 of subcontracts, so it is important that the expenses are allocated correctly between the object codes. Otherwise, we might end up charging the agency too much or too little F&A.

Our PI and the Other University PI talked about a change to the subcontract SOW/adding additional funding/subcontract budget reallocation, and both agree with the change. That's good enough, right?

No. Any changes to a subcontract require an amendment be completed and signed by both parties. Contact the Awards Group for assistance with changes to subcontracts.



Happy winter!

If you have questions about anything you have read here, would like to make comments, have a topic you would like covered or a question you would like answered in a future issue, please contact Karen Rich at rich@cga.msu.edu. Please include CGA Newsletter in the subject line.

Coming next issue:

The difference between contracts and grants, travel FAQs, and agency prior approvals. Don't miss it!