

Michigan State University
Contract and Grant Administration
Post-Award Newsletter- Issue 5 – June 2014
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Post-Award Newsletter – June –2014

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

CGA Knows What You're Concerned About, And We Have The Answers

Will Brad and Angelina ever get married? Why did Russia invade Crimea? Is Greek yogurt really better than regular? Should I use a DI, or a GEC? These are the questions of our age, and rest assured, CGA is here for you. At least for that GEC question.

For RC accounts, a DI, or Distribution of Income or Expense form, is used for cost *reallocations*. A GEC, or General Error Correction form, is used for cost *transfers*. What is the difference, you say? I'm glad you asked! A cost reallocation should not be used for an error, but a cost transfer should be, and as such, a cost transfer is a much higher risk in the event of an audit. Crystal clear, right? No? Clear as mud? OK, let's start with some rules.

- *Expenditure transfers between two RC accounts will always be done on a GEC.*
- *Transfers to or from an RC account that are older than 90 days will always be done on a GEC.* These should also include a detailed explanation of why it took so long for the mistake to be found and corrected. We didn't just make this up, it's a requirement in the Federal regulations.
- *Cost reallocations (within 90 days) should be done on a DI.* Examples of cost reallocations are: mileage on a department-owned vehicle, service-center billings, direct billings, stores orders and p-card charges. Cost reallocations after 90 days must be done on a GEC along with a note explaining the delay.
- *Object code changes or the addition of a sub-account should be done on a DI.* Because an expense is not being moved between different



awards or accounts, these are low risk transactions.

- *Any sort of mistake should be corrected with a GEC.* For example if you accidentally use the wrong account number or if you transpose a couple numbers.



OK, you say that RC to RC transfers have to be a GEC, but cost reallocations have to be a DI. What if I have a cost reallocation between two RC accounts?

That should never happen. The default account you use to charge expenses like mileage, service center billings and long distance telephone calls should be an unrestricted account, from which the expenses are allocated appropriately. Granting agencies and auditors believe that it is inappropriate to use a grant account as a default account, particularly when expenses are charged to RC accounts, as it triggers CGA to either draw cash or submit an invoice. Next thing you know, MSU has received payment for expenses that the department knows are unallowable. Anyone caught doing this will be fired immediately! OK, that might not be true. But this is not something you want coming out in an audit and it may be considered fraud, so just don't do it!

It's OK on my procurement card though, right? My p-card defaults to my RC account.

If you have a procurement card that charges to an RC account, you should only use that card to make purchases for that RC account. If you want a card that you can use to make purchases on multiple accounts, CGA suggests getting a card that defaults to an unrestricted account then allocating the expenses accordingly.

You know I can use my RC account p-card for anything, and if I make the change in the system quick enough it never posts to the grant. CGA will never know.

You are correct, but this is still risky. A mistake could land you with some very serious audit findings. *Yeah, but what are the chances of being audited, really?*

Greater than you realize, but we'll discuss that in just a moment. More GEC questions:

My new grant started, but I didn't have an account number yet, so I charged expenses to a departmental account. Now that I have the new account number, how should I transfer those expenses?

That should be done on a GEC within 45 days (timeliness matters!) of receiving the new account number. Not because it's a mistake per se, but because it isn't a cost reallocation. The expenses were charged to the unrestricted account with the full knowledge that they would not remain there; this is why an RC account should not be used for this purpose. (The best option for this situation is to set up an advance or hardship account. This allows expenses to be charged correctly right from the start, no transfers necessary.)

Also remember that any GEC that is charging an RC account an amount greater than \$500 requires PI approval. PIs are not part of the regular approval process, so you will need to ad-hoc route the document to that person for approval (not FYI).

“It usually takes me more than three weeks to prepare a good impromptu speech” – Mark Twain

Remember, if you need to pay a speaker, honoraria are not allowed on federal awards. Instead use object code 6414 – Speaker Fees!



Auditor – Someone Who Arrives After The Battle And Bayonets The Wounded

“In the event of an audit...” “An auditor is going to look for...” “This will raise a red flag to an auditor...” How many times have you rolled your eyes, when you

receive yet another request from CGA to justify some expense or another? Or when CGA insists upon agency approval before you can charge a certain thing to your account? “Please, what are the chances that I’ll actually be audited,” you think.



“All the information CGA requests is ridiculous!” “CGA is hindering my ability to meet the objectives of my project, with all their red-tape and bean counting.” (Sometimes people are not very careful with their email forwards, so we know what is said about us.) Well, if you are at all familiar with the on-going NSF data-analytics audit, you now know that they reviewed both large and very small items, and requested quite a lot of detail.

Auditors for the National Science Foundation were on campus earlier this year (twice!), and analyzed expense data from the last three years of NSF funding at MSU. From that they pulled more than 350 transactions from 140 accounts for closer review. Many of the things they questioned are the same things that CGA questions: cost transfers, meals, payroll transfers, clerical salary, etc. Some of their questions were a bit surprising, such as small parking pass expenses and rebudgeting issues.



(Yes, NSF awards do have budget flexibility, but that did not stop the auditors from questioning it, so it's good to be prepared.)

It will be a while yet before MSU gets the initial report of (hopefully very few) findings. In the meantime, continue to document and justify expenditures, because you never know when your turn for audit is coming. I'm not sure exactly what the odds are of your project being selected for review, but CGA has noticed a definite increase in audit activity in the last couple of years. You should definitely behave as though it is going to happen, rather than betting on it never

coming up. You might think your department is willing to take that risk, but do you really understand what you are risking? The agency isn't just going to ask for a repayment of one questioned expense. They will instead extrapolate that expense into a percentage of charges, and ask for a very large repayment. Additionally, this will be a finding against MSU, which could put future funding in jeopardy.

One final comment about the NSF audit. Providing details on transactions for 140 accounts was a very labor intensive task, and it involved CGA making many requests to departments for information, with a very short turn-around time. PIs and administrators were very responsive and helpful (particularly with paper items from the old Legacy accounting system!), and for this we are very grateful. Thank you!

Finally, We're Done With All That Annoying Audit Talk

Or not. Coming to your in-box this summer, more compliance review from CGA! No, don't run away! This won't be that bad, I promise! Come back...

As you are likely aware, there are several types of expense transactions that CGA does not review before they are processed. Direct billings, service billings, internal billings, procurement card statements, etc. Even

without CGA review, these items are subject to scrutiny in the event of an agency audit. In order to make sure MSU is in the

best possible position with regard to these (increasingly frequent) audits, CGA will be pulling random samples of these expenses. We will be reviewing the existing documentation for these transactions, and may have to ask you for additional explanations or information. CGA plans to begin this compliance review in July, after year-end.



We've Mentioned This Before, But It Bears Repeating

The only time you need to ad-hoc route a document to CGA in KFS is when it's a DI form that clears an advance. That's it. No other time. Even if CGA isn't on the route. Just don't do it! Seriously, only for DIs that clear advances. To do otherwise causes delays, messes with our target process goal of three business days, and create headaches for everyone.



Gift Cards – Perfect For Any Occasion, or Tacky and Thoughtless?

That depends entirely upon who you ask. Some people love them, some people hate them, and only one thing is for sure. A whole lot of them are purchased on grant accounts for use as payment to research participants.



So, gift cards are allowable as participant payments on RC accounts? Really?

Yes.

How is that possible? Gift cards are like cash, and can be spent on things that are otherwise unallowable on RC accounts. Wouldn't this make them unallowable, based on the transitive property of allowability?

Your reasoning makes sense. That is why when gift cards are purchased, they must be associated with a specific participant, and that information must be included with the KFS document that is paying for that expense. For awards that are subject to HIPPA compliance (or other confidentiality considerations), it is preferable for the list of gift card recipients to be kept locked in a departmental office rather than attached to an e-doc.

But I want to buy a bunch of gift cards now, and give them out over the course of the project. I don't have any participant names yet. Is there a way I can do that?

Yes. The easiest way is to buy the gift cards on an unrestricted account, then use GECs to transfer the expense as the gift cards are distributed.

If You Do It Right, No One Will Remember – If You Do It Wrong, No One Will Forget

There is no prize for submitting the perfect KFS document. You won't get kudos, or even a thank you note. But you also won't get an email from CGA,



requesting that you answer a bunch of questions and attach things. Come to think of it, that could be considered a prize...

Here are few tips, to avoid hearing from CGA:

- *Attach a copy of the support documentation.* If you opt to reference a document number instead, make sure it will be clear when that document is opened which portion is being transferred to an RC account. P-card statements often have multiple receipts attached.
- *Don't forget an explanation of how the expense benefits the project to which you are charging it.*
- *Change the object code.* When reallocating p-card charges, please change the object code from the default p-card object code to the object code that is appropriate for that expense. (Hint: It's not always going to be supplies!)
- *DON'T WRITE IN ALL CAPS.* It's hard to read. Also make sure all of your scanned documents are legible, and that all the pages are rotated to an upright and easy-to-read position.
- *Let CGA know when you have added requested information.* This will help expedite the approval process.

US Taxpayers Don't Want To Buy You A Sandwich!

Meals, snacks, and beverages, oh my! What exactly are the rules for charging them to grant accounts? Yes, taking colleagues, clients, and business associates out for lunch or dinner is a standard practice in the business world, as is providing coffee and light snacks at a meeting. You, however, are not engaged in a standard business, you are engaged in research administration!

Charging food and drink to federal awards while not in travel status is one of the most risky transactions you can include on your project, and it's only getting riskier. The Department of Justice has basically banned all food and beverage on their awards, NSF is getting much more restrictive, and other agencies are expected to follow suit. At this point, hopefully you have decided to use an

unrestricted account for your coffee, bagels and Pot Belly order, but if not, don't forget:

- *An itemized receipt listing the food and beverages purchased.* Yes, we are making sure that there is no alcohol included.
- *An agenda for the meeting.* This should include the business purpose of the meeting, including why it had to be held at a meal-time
- *A list of participants, including their affiliations.* Meals for MSU faculty and staff that are not in travel status (i.e. when they are attending a meeting on campus) should be charged to an unrestricted account.

CGA has heard strong feelings on this subject, and understands that it usually involves a relatively small expense. Ultimately though, the final word is going to lie with federal auditors, and most often that word is going to be "no".



Given that the expenses are so small, and the risk disproportionately large, this is generally not a battle worth fighting with the federal agencies. Make sure all allowable expenses are being appropriately charged to your RC accounts. Charge risky expenses, like food, to unrestricted accounts. Disallowances can lead to very awkward conversations.

Happy New Year! Yes, Fiscal Year 2015 Begins July 1!

June 30 is the end of the 2014 fiscal year. In order to effectively close fiscal year 2014, don't forget these important dates!

Disbursement vouchers must be to CGA by 5:00 on **Monday, June 23.**

- **GECs** must be to CGA by 5:00 on Thursday, **June 26.**
- **DIs** must be to CGA by 5:00 on Thursday, **June 26.**
- **Transfers of Funds** must be to CGA by 5:00 on Thursday, **June 26.**

Your Opinion Matters. No, Really, It Does.

Like what you read here? Hate it? Have ideas for topics you'd like to see in the future? Let us know! You can contact Karen Rich at rich@cga.msu.edu. Or feel free to share your comments with any CGA staff member; they will gladly pass them along.