

Grants & Contracts PeopleSoft Financials Q&A Session

Thursday June 18th, 2009 9:00-11:00 a.m. Bangor Rm., Memorial Union

This Q&A session was a direct result of suggestions made on evaluation forms returned by attendees from our series of Grant Management workshops. Claire Strickland from the Office of Budget & Business Services explained Fund Codes 04 and 24 (Budgets, Transfers and Actuals), as well as how Fund 00 position management is affected by cost sharing of salaries. Bob Lavigne from the Office of Research & Sponsored programs addressed 'hot topics' related to cost transfers and cost sharing of salaries, spoke a bit about the GL statement and how to read it, and walked through several ways to determine a project balance.

OBBS: Claire Strickland, Director

Cost-Sharing for a grant/contract

When a PI submits a proposal to a sponsoring agency, it is often helpful to indicate that the University is willing to fund part of its own resources in helping the grant/contract submission. This is "cost sharing" in the most basic sense of the word.

PIs *generally* cost-share someone's salary and benefits.

An example:

- Professor X & the University are willing to contribute a portion of Professor X's salary in support of the proposal (\$10K in this example).
- The Funding agency is supporting the project at \$50K.
- The budget is set up by sponsored programs.
- In order to document the \$10K coming from University unrestricted E&G, we need to track Sponsor funds and University funds separately.
 - How is this accounted for in PeopleSoft? FUND CODES. There are numerous fund codes associated with many different projects and chartfield combinations on this campus.
 - Fund 00 – "E&G": Unrestricted Educational & General funding. This fund is used to cost-share unrestricted funding in support of a restricted fund of a grant and/or contract which will get budgeted in a Fund 20.
 - Fund 20 – Restricted. Usually used for Grants & Contracts. All of your sponsored grants/contracts will be in Fund 20.
 - Fund 04 – Unrestricted Cost Sharing
- **Back to our example:** Total project costs = \$60K (Sponsor \$50K, University \$10K). In order to document the funds: The \$50K from the sponsor is set up into a Fund 20, the \$10K from the University is set up in a Fund 04 (unrestricted cost sharing).

- How is this done? Through series of budgeting mechanisms and actual transfers from Fund 00 to the Fund 04.
- When we get documentation from the agency that \$50K has been approved, Wayne and/or Bob or Greg set up the budget for \$50K [in Fund 20]. If there is some cost-sharing involved, there is also a budget set up in Fund 04 (for \$10K in our example) the total budgets equal \$60K.
- When it comes to actually taking the money out of Fund 00 to place the funds in Fund 04, there is a “Transfer of Funds”.
 - This transfer of funds actually takes the money out of an E&G account (Note: Referring to “account” as an *expenditure account*: The 5 digit account number that lies within a chartfield combination).
 - It doesn’t come out of [E&G] salaries & wages immediately. What normally happens is: In Fund 00 the transfer will get documented in department account 70400.
 - When you see something transferred as an expense (an “actual”) in your department account 70400 in Fund 00, this should trigger in your mind, there is a COST SHARING entry that’s been done by sponsored programs in order to fund the cost sharing in Fund 04.
 - In PeopleSoft, if you click on the entry, you’ll get more information about it: The transaction ID, who’s cost-sharing is hitting your account.
 - *Cost sharing needs to be documented.* Keep in mind, if this money is taken out of the E&G account to fund the cost sharing, and the PI is still getting paid on the E&G account for a full value of salary + benefits of a fiscal year [on the E&G account], you’ll be in trouble come end of OBBS’ fiscal year! It will feel like you’re being double-dinged: You’re paying them on your E&G, and then you’re being charged in the Fund04 for \$10K.
 - When we say that someone is being cost-shared, it means we need to document that piece of the salary against Fund 04.
 - You need to submit an “Earnings Distribution Form” [to Human Resources] to document the cost sharing. So instead of \$10K being charged in E&G, it’s going to get charged to the Fund 04 account. The money that just got transferred to fund 04, and budgeted in 04 needs to be expensed out of 04 for that PIs cost-sharing amount.
 - Get the accounting ID’s from OBBS to charge that salary directly to Fund 04.
- OK. The transaction has occurred.
 - We’ve budgeted these two chartfield combinations and the transfer has happened to fund this fund 04 from your E&G account.
 - Let’s say the grant is from Jan 09 and ends June 2010 (This is 18mos.; and crosses 2 of OBBS fiscal years: FY09 & 10). Fiscal years on the University side of the house run from July-June.

- Wayne and/or Bob will do this actual transfer.
- You need to be on the same page with Wayne and/or Bob to decide **when you want this transaction to occur**. Is it going to happen in the period Jan 09-June 09 or July 09-June 10. You need to change the distribution of the PI in the **correct OBBS fiscal year**.
- If sponsored programs has taken the money out of your E&G in May 09 and you try to document the cost sharing [earning distribution] after July of 09, OBBS is not going to let you do it after July 1!!
- It is very important that you watch the 70400 line on your E&G side of the house each month to see what's been hit on 70400 and make sure you're documenting whatever has been taken out of 70400 in salaries & wages in Fund00, b/c this HAS to happen in the same fiscal year. When cost sharing is done in May/June it is more difficult [and requires more attention on PI/Staff part] to hash out "who's cost sharing was that and who's fund code 04 do I need to charge?".

Q. Does all of this have to happen once we see that transaction show up in 70400, or can it be set up at the beginning of the grant?

No it doesn't have to, you could do it in the reverse order: If you know cost sharing is going to occur, it's going to be \$10K, it's February and you know Wayne is going to take the money in May, you can set it up at the beginning of the grant. In either case, you need to be watching for both transactions. They NEED to occur in the same fiscal year.

Q: We try to set up pay distribution of an individual to relate to the actual work they're doing on the grant, which feels appropriate for auditing standards, no matter what fiscal year that's in. How do we deal with this?

If you want to be really precise, and ideally, this is how you should be, and you're only going to spend \$5K in Jan-June of this fiscal year, then make sure sponsored programs knows you want to do the cost sharing in two pieces.

Bob: A general rule about when to fund your cost sharing: If you're going pay someone who is working, you should be funding it. Keep in mind, if you wait until the very end to fund your cost sharing and 5 mos. have gone by and you've been making payments for salaries, this fund is going to be in the red, and you need to fund it. You should fund it at first if you can or at least when you expend it.

Q. [Salary] cost share is only for anything coming out of Fund 00?

Right. The basic premise is here that you have something to cost share. I've seen people cost share people who aren't base-budgeted in E&G. Your PI needs to be base-budgeted. You're not going to cost share someone who isn't even a permanent

employee on this campus. We have to have a budget for that person in order for that PI to cost share. We set up position management for all the permanently budgeted people on this campus, people who have on-going positions. They have to have their salaries built into position management in order to cost share. Once their salary is expensed to a grant/contract that releases salary savings up in the salary lines in their departments. Then you use a position management form to reallocate that money down to clear your 70400. The forms are on our (OBBS) website. When you come to use the forms— contact Alicia for help if needed.

The nitty gritty of what happens:

...When this is taken out of your budget, there is a negative \$10K (in this example) and if you haven't put through a "Earnings Distribution Form" then you're going to be dinged **here** [E&G] and dinged **there** [Fund 04]. Once you put through your Earning Distribution Form it will release \$10k in salaries/benefits [in E&G]. See Alicia to move the released money from here [E&G] to there [Fund 04] to budget the 70400.

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- There is another cost-sharing Fund: Restricted Cost-Sharing (Fund 24): More often than not it is Maine Economic Improvement Fund (MEIF). You'll see the money coming out of 72400 documented in Fund 23.
 - There are some projects that will have all three funds (04, 24 and 20).
 - For that grant project you will see three separate lines in GL. All three funds make up the total spend for that project. If you want to see your whole project and not just one fund at a time, Go into GL and click on the "tree icon" and select "all funds".
 - ***You never charge anything directly against a fund 24 or 04 as far as goods & services are concerned.*** You document it in fund 20 and it will be moved by allocation. The only time you charge 24 or 04 is for salary & benefits only. Don't go in there and put a purchase order against 24 or a purchase order against 04.
 - 20 is the grant (sponsor funds)
 - 04 is unrestricted cost share (E&G)
 - 24 is restricted cost share (usually MEIF)
 - 23 is MEIF

Q. If a PI has summer salary associated with a grant...do we charge Fund 20?

Yes, charge Fund 20. Fund 04 or 24 is simply to document the cost-sharing. Cost sharing should be stipulated on the PARS form, that's the only thing you charge to 04 or 24 (no release time etc.).

Q. If someone is on Fund 23 (MEIF) and they're cost-shared on a federal grant, does this work the same way...I have to do a 72400?

If you have a project as you described, the project would have a Fund 20. And if there is some MEIF that was cost shared for this grant, you would have a Fund 24, a restricted cost sharing account. If there is a restricted cost sharing account, you should have a body in your MEIF that's budgeted for a salary amount and the same thing would happen: Your MEIF account would get charged in the 72400 line for the amount of the cost sharing. It would end up in Fund 24. Then you'd have to charge that piece of the individual's time to Fund 24.

DON'T EVER USE A PROJECT NUMBER WITH A FUND 00 or FUND 23, THEY ARE NOT INTERCHANGEABLE. Whenever you have a project you'll use 20, 04 or 24.

ORSP: Bob Lavigne

This section will focus on:

- Cost transfers
- Direct charging of salaries & wages
- How to read GL statement
- And a bit about how to determine project balance

Cost Transfers

- Project adjustment forms are available on our website: <http://www.orsp.umesp.maine.edu/> (under "Forms"; 'Project Adjustment Request Form.xls')
- Once opened, you'll notice the four tabs located at the bottom (Instructions, Cost Adjustment, LDA, Adjustment Certification)
- Use these forms just for **projects**. (not for programs etc.)
- Don't submit these forms to OBBS. These get submitted directly to ORSP
- There are 2 types of cost transfer forms:
 - Journal entry (for non-payroll transfers: "Cost Adjustment" tab)
 - LDA (for payroll)
- Don't put the journal entry date, use the pay end date. Drill down to that salary expense...to get the pay end date.
 - Also, if you're going to attach the GL inquiry printout with the LDA, be sure to include the "payroll journal detail" (the one that lists the actual pay end date) instead of the main entry (which displays the journal entry date).
- When you submit LDAs it should only be to correct items that were charged to the wrong place.

- We don't want to see a bunch of LDAs come in at the very end of project with the explanation, "This is to document my cost sharing". This should be done as the project goes along. When a person is hired, this is when you need to charge a project.
- If it is an oversight and you forgot to update an Earnings Distribution Form, we will process the LDA, however, you should stop right there and **update the Earnings Distribution Form** so you correct the problem and avoid the need for more transfers!
- "To spend down accounts" or to "enhance someone's E&G budget" is not allowed.
- Reasons like "to correct an error" or "to charge a project " are insufficient.
- We really need to know why the original charge was posted incorrectly and that some type of step is being taken to avoid this in the future.
- The auditors need to know this is not a recurring problem.

Try to minimize the number of cost transfers—do it right in the beginning. If you need to do it, do it for the right reasons, not to spend down an account.

It is against the law...

Recently, Yale agreed to pay \$7.6 million to settle a grant investigation in which questionable cost transfers were involved:

<http://www.yaledailynews.com/articles/printarticle/26951>

The charging of salaries and wages:

How to do it the right way

- If a person is working on a project, that person should be paid from the project (charged directly to 20, 04 or 24).
 - An Earning Distribution Form needs to be prepared and done right away.
 - Earning distribution forms should be reviewed regularly.
 - The LDA should not be used as a mechanism to deal with payroll, it is simply to correct errors:
 - After a payroll cycle, you should be looking at the project, reviewing the expenses that hit the project (salaries and wage) and then make a determination if the charge fairly represents the time and effort spend on a project.
 - If it turns out that your estimate does not match up with the time actually worked on the project, that is when you'd do the LDA.
 - The LDA should just be to make an adjustment, not to charge directly. You should also look at the Earning Distribution to see if that needs to be changed as well.
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Q. The only way I can do an earnings distribution form is if I take a percentage over the year for the people cost shared on the project because the faculty are not going to come and tell me, "I'm going to spend 'X' amount of a time on this project this month, for the next 3 months". I can do an LDA after they come to me and say I've spent "X" amount of time working on a project. Or, I can guess and do an approximate amount that I may have to adjust later....

Bob: They *should* be telling you how much time they *plan* on spending on a project each month. In the event they don't, putting something is better than nothing. It just has to be a reasonable estimate.

Mike: You shouldn't put yourself in a position of having to guess what their distribution is going to be. You need to sit down with the director of your center and figure out a way to handle this. We risk huge fines, triple damages, if we don't certify accurately and cut down on some of these cost transfers.

Claire: As PIs are going out there to secure funds, they need to keep in mind they have responsibility to get these regulations right. There has to be accountability. If we get written up, if we get fined, it's not the research grant that's charged, it's the Fund 00, the E&G, that will get charged. We can't afford that on this campus!

An example of the wrong way to charge Salaries & Wages:

Here is an example of a project (see slides 11/12 in presentation) where all salary charges posted to a project were posted by way of LDA and not by way of normal payroll charges.

- The sponsor had requested monthly invoicing, and when invoices were sent showing no salaries, they questioned it...They said "Who's doing the work?" The invoice conflicted with the technical progress report that the researcher submitted.
- We had to do LDAs in order to bring in the right salaries and charge the projects. When you do this, you're susceptible to more errors or you may charge a little more, so you end up doing another batch of LDAs that won't really get updated until the following month. By then, your prior month's invoice has gone out, you know it's wrong b/c it got charged a little too much. The sponsor just won't pay it. They'll say resubmit an invoice for the prior month that has the correct salaries & wages. By that time, we're talking about 2 months down the road, we've already submitted other, following invoices. Because they're cumulative, we have to go in and change that one and all those that follow. It's a lot of extra work. It's not just extra paperwork...when you input the salary you have to

recalculate the fringe, and the indirect cost and any of the waiving. It all has to be done by hand.

In our example you can see over \$6K in salaries were charged by way of 7 retro payroll entries.

This all could have been accomplished by simply providing Human Resources with an updated Earning Distribution Form!

Project balance:

- In Grant & Contract projects, sponsor funds are budgeted in fund code 20.
- Not all projects have the same budget structure. Some have both indirect and direct, some have just direct costs...These are the easy ones.
- Most projects have F&A associated with them.
- We may have projects that have indirects, but a portion of it might be waived. The University might pick up all of that indirect or a portion of it or a combination of the two.
- When you see a project that doesn't have F&A that usually means the sponsor doesn't allow it. We still like to show it because it is a true cost of doing the work. There is always overhead associated with the work but some sponsors just simply don't want to see F&A. In those cases, we don't budget it, we don't accrue any expenses, we don't even show the waiving of it. It's just not put in.
- Some projects have Costs Sharing being contributed. This Cost Sharing may be from:
 - Direct dollars (in Fund Code 04 & 24)
 - The waiving of F&A costs
 - Third Parties or some other In-Kind contribution
- When direct dollars are involved, the funds may be from an un-restricted source, such as University Departmental funds (E&G). These funds are budgeted in fund code 04. When the source of funds is a restricted source such as MEIF monies (State of Maine Bond funds) the budgets are in fund code 24, so they can be tracked separately.
- Sometimes costs sharing may be contributed by third parties. Such contributions are accounted for separately, that is, not in fund codes 04 nor 24. The contributor will provide as documentation, a written statement, and should specify exactly what was contributed, when it was contributed, and its dollar value.
- There is no distinction as to whether in-kind or third party contributions are restricted or un-restricted. They are not budgeted in either fund code 04 or 24. An example of an in-kind contribution could be the University donates the use of the baseball field for a sponsored event. Obviously, we would not set up a fund code 04 budget for this. The value of the contribution would have to be documented in some other way.

GL Statement & How to Read it (see presentation slides 15/16)

- Revenue is budgeted and actuals are always negative values
- Expenses are entered as positive values.
- If you add up the positives and negatives, it balances out to zero. That's when we know a budget is in balance. The revenue + the expense budget should equal zero.
- Read top to bottom (down rows) for cash balances.
 - Total Revenue + Total Net Expenses = Total Net Revenue & Expenses.
 - This line in your "Project to Date" column is your "cash balance"
- Read left-to-right (across columns) for budget balances.
 - Current Budget – (Project to Date [actuals] + Encumbrance) = Budget Variance (available balance)
 - This value on the "Total Net Expense" line is your "Budget Balance".
Note: This might not be the amount you can spend, b/c you might have F&A, cost share etc.
 - This value on the "Total Expenses and Transfers" line is your "Direct Cost Balance Available". This is the best line to look at because this value shows what you have available for your future expenses.
- **Keep in mind, this balance will only be accurate to the extent that the budget is being followed:**
 - If you deviate from the budget in terms of what is excluded from F&A and what is not, *the indicated balance may not be accurate.*
 - If this is the case, than a deeper analysis is required to determine the *spendable balance.*
 - To do this, you must know two things:
 - The effective F&A rate
 - Actual expenses exempted from F&A
- The effective F&A rate
 - This is the rate being charged to the sponsor.
 - Example: If the F&A rate applied to a project is 49%, and the University is waiving half (50%), then the effective F&A rate being charged to the sponsor is 24.5%.
 - It is always the net F&A budget divided by the base.
 - The base is the total direct cost budget less items exempt from F&A (Modified Total Direct Cost or mtdc)
- Actual expenses exempted from F&A
 - For example: Suppose you have \$20,000 budgeted for Capital Equipment and a \$4,000 budget for tuition.
 - The equipment ended up costing only \$17,000 and Tuition came to \$5000.

- You have an exempted budget of \$24,000, but exempted actuals of only \$22,000.
- The \$22,000 figure should be used in the calculation
- The Calculation:
 - Total Expense Budget (add all fund codes) subtract all of your actual expenses exempted from F&A. Once you have that, divide by the inverse of the effective F&A rate. In the above example the effective rate was 24.5% so the inverse of that would be 1.245.
 - The result will give you a figure which represents all direct costs subject to F&A. Compare it to the actual (all direct costs except those exempted from F&A) to obtain your spendable balance that you are looking for.
- The key point is to budget correctly.

Q. Are “participant support costs” always exempt from F&A?

It depends on how the proposal was written (which in turn depends on what the Request for Proposals indicated). They are not account codes that are automatically masked...such as equipment and tuition.

All of these projects have different configuration, but you really need to just break it down and look at each fund code separately and get the balances from each. It's good to look at the big picture (and all funds together)...but...be careful and pay attention to each fund code.

*If you see the deviations really get out of hand. Just have the budget re-budgeted. It might be that it needs sponsor approval, it may be something we can just do in-house.

Keep in mind...another red flag for auditors is when you purchase equipment and supplies at the end of a grant (even if you think “I'm just replacing what I used [for supplies] from my E&G account”).

A final word re: cost share:

ONLY directly charge salary/wage to Fund 24 or 04, everything else gets charged directly to 20 and it will get moved by allocation.

- In order for this to happen, you have to have an allocation rule set up for that particular account line.
- In order to have the allocation rule, you need a budget. If you don't, when you go to charge Fund 20 it's going to stay there b/c there is not a budget in 04 or 24 for it.

Final Section: Q&A and PeopleSoft GL walk through

There were not any questions from the floor at this point. Claire walked through a project [in GL inquiry] with 3 fund codes (02, 04 and 24).

A few notes:

Project number 54XXXXX goes in the project box, and that's all you need to do. B/c the project field is unique, so you don't need to fill in the rest of the fields.

You can *always* ignore the audit adjustment line.

You'll have a line for each fund code you have (ie. Fund 20, 04, 24).

If you want to look at the project as a whole, click on the tree next to the Fund Code Line, highlight All Funds, click on "select" and search again. It will bring the whole project up.

As Bob indicated earlier...you need to be careful how you expense from here...b/c you need to make sure you're expending it from the right fund code as you're actually processing Earning Distribution Forms.