Audit and Record Keeping

CORE 4

Dan Evon, Director, Contract and Grant Administration
Evonne Pedawi, Assistant Director, Contract and Grant Administration
The Basics

• Tenure
  • What is it?
  • Why does it matter - permission or forgiveness
  • MSU Statistics from 2011-2015
    • 9 associate professors reappointed with tenure;
    • 271 assistant professors reappointed for a second three-year probationary appointment;
    • 241 promotions to associate professor; 150 promotions to professor; and 25 individuals not reappointed.
The Basics

• Who really runs MSU?
  • Board of Trustees – President – Provost – Deans – Chairpersons – tenured faculty – non-tenured academic appointments - staff – students
  • https://msu.edu/about/thisismsu/board-admin/org-chart.html

• Who do you really work for?
• How can we work together?
• What is your personal liability?
Roles and Responsibilities – Post Award

• **PI(s)** Due to the technical nature of externally funded projects the Principal Investigator (PI), as the principle author and supervisor of the project, may be the only person who can ascertain the benefit of certain expense transactions. **Accordingly, MSU has delegated the responsibility for project and financial management to the PI(s).** Departmental, college, CGA and other central administrators (purchasing, payroll, accounting, etc.) are available to assist the PI(s) with these responsibilities.

• **CGA’s** mission is to support MSU's research and creative endeavors by providing timely, accurate, and courteous assistance to faculty and support staff with the financial and contractual administration of their grants, cooperative agreements and contracts. CGA is also the "official" designated point of contact in case of an external financial audit.
Who Monitors Compliance?

- **Office of Inspector General (OIG)** – Conducts audits to detect and prevent fraud, waste, abuse and mismanagement of government programs and operations.

- **Grant Officers of Federal Agencies** – Review cost claims, financial reports and question expenditure items.

- **Non-Federal Sponsors** – Conduct audits of programs and projects.

- **University Auditors** – Conduct our annual Single Audit/A-133 audit.

- **Internal Auditors** – Mission: “Assist University units in effectively discharging their duties while ensuring proper control over University assets.”

- **CGA** – Reviews and approves *some* expenditure transactions.

- **Departmental and College Administrators**

- **PI’s!!!!**
Sponsored Program Spending ~ 20% of MSU

- **General Fund**: $1,073,500,282 (47.9%)
- **Sponsored Programs**: $433,937,988 (19.4%)
- **Auxiliary Activities**: $351,229,444 (15.7%)
- **Designated Fund & Other Expendable Activities**: $381,564,260 (17.0%)

130 Sponsored Programs Audits in 4 Years

<table>
<thead>
<tr>
<th></th>
<th>FY 11-12</th>
<th>FY 12-13</th>
<th>FY 13-14</th>
<th>FY 14-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit</td>
<td>32</td>
<td>32</td>
<td>30</td>
<td>37</td>
</tr>
<tr>
<td>External Audits – Plante Moran</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MSU Annual Audit</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>NCAA</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>WKAR (Radio and TV)</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>External Audits – Sponsored Programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal A-133 - Plante Moran</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Federal Agency Audits (NSF, DOJ, USDA, USAID, etc.)</td>
<td>5</td>
<td>25</td>
<td>34</td>
<td>25</td>
</tr>
<tr>
<td>State Audits (MEDC, MDE)</td>
<td>6</td>
<td>12</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Foundation Audits (Kellogg, Gates)</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td><strong>Subtotal Sponsored Programs</strong></td>
<td><strong>12</strong></td>
<td><strong>42</strong></td>
<td><strong>46</strong></td>
<td><strong>30</strong></td>
</tr>
<tr>
<td>Total Audits</td>
<td>48</td>
<td>78</td>
<td>80</td>
<td>71</td>
</tr>
</tbody>
</table>
Outline

• What are Sponsored Programs

• Sponsored Program Audits

• Why they are important

• Recent trends, an example, and lessons learned
What are Sponsored Programs?

• Externally funded projects, mostly research, performed by our faculty, staff & students

• MSU has approximately 3,800 separate accounts setup for these projects, each with its own set of rules for the project and how the money can be spent

• Funding agencies include: National Science Foundation, Gates Foundation, State of Michigan

• Projects include: the Facility for Rare Isotope Beams, Global Center for Food Systems Innovation
Why are Audit and Compliance Activities Important?

- Protect reputation of MSU
- Sustain a relationship of trust between research sponsors and MSU
- Ensure adherence with policies and procedures
- Deterrent for improper activities
- Avoid repercussions of noncompliance
Audits Can Result in Large Repayments

- University of Florida, 2015 $19.875M Settlement
- Columbia University, 2014, $9.02M Settlement
- University of South Florida, 2014, $6.4M Questioned Costs
- Emory University, 2013, $1.5M Settlement
- Northwestern University 2013, $2.9M Settlement
- Florida State, 2012, $3M Questioned Costs – not yet settled
- Cornell - Weil Medical College, 2006, $2.6M Settlement
- Yale University, 2008, $7.6M Settlement
- Clark Atlanta University, 2006, $5M Settlement
- University of Connecticut, 2006, $2.5M Settlement
- Cornell University, 2005, $4.3M Settlement
- Mayo Foundation, 2005, $6.5M Settlement
- Florida International University, 2005, $11.5M Settlement
## Sponsored Program Audit Trends

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions</td>
<td>Hours</td>
<td>Millions</td>
<td>Hours</td>
<td>Millions</td>
<td>Hours</td>
</tr>
<tr>
<td>$411</td>
<td>$500</td>
<td>$407</td>
<td>500</td>
<td>$410</td>
<td>580</td>
</tr>
<tr>
<td>$421</td>
<td>1130</td>
<td>$427</td>
<td>2090</td>
<td>$433</td>
<td>975</td>
</tr>
</tbody>
</table>

- **Total Sponsored Programs Expenditures**
- **Amount Audited**
- **CGA Hours Dedicated to Audits**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Expenditures</th>
<th>Audited Amount</th>
<th>CGA Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2009-10</td>
<td>$411</td>
<td>$55</td>
<td>430</td>
</tr>
<tr>
<td>FY 2010-11</td>
<td>$407</td>
<td>$37</td>
<td>500</td>
</tr>
<tr>
<td>FY 2011-12</td>
<td>$410</td>
<td>$27</td>
<td>580</td>
</tr>
<tr>
<td>FY 2012-13</td>
<td>$421</td>
<td>$52</td>
<td>1130</td>
</tr>
<tr>
<td>FY 2013-14</td>
<td>$427</td>
<td>$275</td>
<td>2090</td>
</tr>
<tr>
<td>FY 2014-15</td>
<td>$433</td>
<td>$60</td>
<td>975</td>
</tr>
</tbody>
</table>
### Sponsored Program Audits

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sponsored Programs</td>
<td>$411M</td>
<td>$407M</td>
<td>$410M</td>
<td>$421M</td>
<td>$427M</td>
<td>$434M</td>
</tr>
<tr>
<td>Expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CGA Hours Dedicated to Audits</td>
<td>430</td>
<td>500</td>
<td>580</td>
<td>1,130</td>
<td>2,090</td>
<td>975</td>
</tr>
<tr>
<td>Amount Audited</td>
<td>$55M</td>
<td>$37M</td>
<td>$27M</td>
<td>$52M</td>
<td>$275M+</td>
<td>$60M</td>
</tr>
<tr>
<td>Paybacks from Audits</td>
<td>*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td>$54k</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3k</td>
</tr>
</tbody>
</table>

* MSU discovered IRB protocol error resulted in $108k refund to Yale in 2010: not the result of external audit
$54k on an NSF STTR for equipment purchased when the company and our PI were told no by NSF
$3k was for unapproved foreign travel
MSU Approach to Maintain Compliance

1. Clear Policies and Procedures
   • Updates based on continuously changing rules and audit findings

2. Continuous Training and Guidance for Faculty and Staff
   • Over 70 training opportunities offered and nearly 900 participants trained since 2011

3. Internal Controls and Separation of Duties
   • Encourages good behavior
   • Auditors provide an independent review of MSU internal controls

4. Pre-review of certain higher risk transactions
   • Post audit review using federal audit techniques and KFS

5. Monitoring Audits of Other Universities
   • Audits test the effectiveness of current practices
   • Audits identify areas that require additional oversight
What Do Auditors Look For?

- Clear policies and procedures, and following those policies and procedures
- Strong internal controls and separation of duties
- Reliable financial management – reports and tools
- Timely and properly recorded transactions in the financial system
- A small number of cost transfers – moving expenses from one account to another
What Do Auditors Look For?

Documentation and allowability for expenditures

• Is it a violation or possible violation of law, regulation, agreement terms?

• Is the cost supported by adequate documentation?

• Does the cost appear reasonable/does it reflect the actions that a prudent person would take?

• Does the expense benefit the project?
Types of Sponsored Program Audits

- Agency-Initiated
- Monitoring
- Performance
- Financial
- Compliance
- Whistleblower
- Hotline
- Special Investigations
Sponsored Program Audit Process

1. MSU receives Notification of Audit – CGA is lead office
2. Pre-Audit Planning with Faculty and Department Administrators
3. Audit Entrance Conference with Auditors
4. Perform Audit: Review Documentation, Interview Staff, etc.
5. Discussion of Possible Findings during Audit Exit Conference
6. Draft Audit Report and Draft Management Response Issued
7. Final Audit Report and Management Response Issue
8. Resolution of any Disputes
9. Final Settlement or Appeal
Who is Involved in a Sponsored Program Audit?

- Faculty – Principal Investigator
- Contract and Grant Administration
- Departmental and College Administrators
- Central Support Offices: Controller, Internal Audit, Purchasing, VP’s for Research & Finance, Gov’t Affairs, General Counsel, Provost, President
- External: AAU, APLU, COGR, Michigan’s Representatives
Balancing Research and Compliance

- Good documentation takes faculty/Principal Investigator’s time away from research
  - Sometimes the PI is the only one who can explain the benefit to the project of certain expenditures
  - CGA reviews certain high risk transactions

- Training and Guidance for Faculty and Staff
  - Over 70 training opportunities offered and nearly 900 participants trained since 2011

- Technical success can still result in a negative audit in the absence of proper documentation
  - A “bad” audit could jeopardize MSU’s reputation and our ability to receive the next major project
Example: National Science Foundation (NSF) “Data Analytics” Audit

• June 2013 MSU selected as part of a new national initiative
• Comprehensive Audit scope - All financial data for All NSF projects for three years: 2010, 2011 and 2012
  • Spans two different MSU financial systems
• Detailed records ranging from equipment purchases, personnel charges, P-card transactions, vendor files, etc.
• Electronic records provided for approximated $235M on 622 separate projects and more than 232,000 transactions
  • The Kuali Financial System’s (KFS) ability to directly access documentation was crucial to providing timely responses
NSF Data Analytics Audit (continued)

- Site visits by NSF auditors
  - Three auditors for one week in January 2014
  - Three auditors for one week in April 2014
  - About 600 individual transactions selected for detailed review
  - June 2014 MSU received an additional request to support about 1,800 salary charges

- Approximately 1,000 hours of CGA staff time to provide information & explanation to auditors

- Largest audit in my 38 years at MSU

- Data Analytics – More data leading to a larger number of sampled items which can lead to more questioned costs
MSU Caught in Middle of NSF Internal Disagreement

- NSF OIG Initial Audit Finding:
  - Approximately $913k in questioned costs in excess of the NSF two-month salary policy
  - Only issue identified in audit report
- MSU followed NSF Policy Office FAQ’s
Dispute Resolved in MSU’s Favor

**November 20, 2014**
NSF Policy Office released revised policies to clarify practice.
Very timely response by NSF Management.

**March 2015**
NSF OIG Issues MSU’s audit with $913,210 in questioned costs.

**March – June 2015**
MSU provides information to NSF Audit Resolution

**September 2015**
NSF Audit resolution overrules NSF OIG citing the OIG’s misinterpretation of NSF Policy
*Zero questioned costs for MSU!*
NSF Data Analytics Audit – Lessons Learned

• MSU policies and practices proven to be effective
• Items selected for audit not limited to large $ values
• KFS storage of electronic documentation critical for timely audit response
• CGA access to PIs and department administrators necessary to building defensible justifications
• MSU should continue to develop and present campus educational opportunities
  • SPROUT, Research Administrators Network (RAN), Essentials of Research Administration (ERA), Uniform Guidance, Effort Reporting, etc.
Summary

- 20% of MSU expenditures comes from sponsored research and other sponsored activity awards
- MSU has effective policies, practices and training
- Internal and external audits provide a confirmation that our policies and practices are compliant
- Important to balance research and compliance burden
- MSU has only had two paybacks in the past 10 years covering ~25,000 research awards with approximately $3.1 billion in research expenditures
- Results in positive MSU reputation for future awards
Questions?

Contact Information

Dan Evon, Executive Director
Evonne Pedawi, Assistant Director
Contract and Grant Administration
Ph: (517) 884-4234 & (517) 884-4272

evon@cga.msu.edu &
pedawi@cga.msu.edu
Indirect Costs/Facilities & Administrative/Overhead

CORE 4
Presenters:
Dan Evon, Director, Contract and Grant Administration
Evonne Pedawi, Assistant Director, Contract and Grant Administration
Agenda

• Introduction to Facilities & Administrative (F&A) Costs
• Review of Federal Regulations and Agencies
• Calculation of the F&A Rate
• Rate Negotiation
• F&A Rate Recovery
• Questions
Introduction to F&A Costs

• Resources required to undertake a sponsored project include associated direct and indirect (or F&A) costs
  • Direct costs – costs that can be specifically identified to a sponsored project
  • F&A or Indirect costs – costs incurred for common or joint objectives and cannot be readily identified with a specific sponsored project – these are real costs!
• Institutional Support costs – Investigator Salaries, startup costs, etc.
Total Cost of Research

Organized Research Costs

- 55% Direct Costs from Grants
- 30% F&A Recovery Revenues from Grants
- 15% Institutional Support
Introduction to F&A Costs

• Two main types of F&A costs
  • Facilities
    • Operations and Maintenance of Plant – heating, lighting, custodial services, landscape services, campus security, routine building maintenance (~$155 million)
    • Building and Equipment Costs – depreciation of buildings and equipment, interest costs associated with new buildings/equipment (~$85 million)
    • Library – portion of the cost of books and other library materials (~$21 million)
Introduction to F&A Costs

• Two main types of F&A costs
  
  • Administrative
    
    • General and Administrative Expenses – expenses of executive administration, MSU business office, other central admin offices: President, Provost, Personnel, General Counsel, Controller, etc (~$103 million)
    
    • Departmental Administration – administrative and support expenses of departments, colleges and divisions that support common or joint activities (~$146 million)
      
      – Office supplies, Office computers, Administrative salaries, Local phone and postage
Introduction to F&A Costs

• Two main types of F&A costs
  • Administrative – Continued
    • Sponsored Projects Administration – expenses of units that administer sponsored projects: Office of Sponsored Programs (pre-award), Contract and Grants Administration (post-award), Vice President for Research and Graduate studies; provides services for multi-colleges, e.g. proposal review, fiscal management, etc (~$14 million)
Review of Federal Regulations

• 2 CFR Part 200 the Uniform Guidance (or UG) Appendix III – Replaced OMB Circular A-21
  • Developed to appropriately allocate indirect costs to sponsored projects
  • Establishes accounting principles upon which the indirect cost rate must be calculated
  • Costs must be allocable, allowable, reasonable, consistently treated, and necessary

• Division of Cost Allocation (DCA) Best Practices Manual
  • Developed to assist DCA staff in reviewing and analyzing College and University F&A rate proposals
Review of Federal Agencies for F&A Rates

- Cognizant Agency for F&A Determinations
  - Identified by OMB based on federal expenditures
  - MSU: Department of Health and Human Services (DHHS)
    - 3-4 year rates
    - Negotiated rates usually 5 points less than proposed
  - Office of Naval Research (ONR) for those with Department of Defense awards
    - 1 year rates
    - Negotiated rates usually 1-2 points less than proposed
  - While HHS is our cognizant agency for F&A, the National Science Foundation (NSF) is our federal audit cognizant agency
Calculation of the F&A Rate

- Begin with the MSU Financial Report
- Separate all costs into direct (by function) or indirect (by cost pool)
- Allocate indirect costs back to major functions
- Divide the F&A costs by direct costs = the “rate”
- Apply the federal limits (Admin limited to 26%)
- Send to DHHS in Dallas, TX
  - Next proposal due 12/31/2018 using FY 2017-18 data, 6 months after fiscal year end
  - Goal to establish rates to be used 7/1/2019
Calculation of the F&A Rate

• Major Functions of the University
  • Instruction – teaching and training activities of an institution; departmental research
  • Organized Research – all research and development activities of an institution that are separately budgeted and accounted for
  • Other Sponsored Activities – programs and projects which involve the performance of work other than instruction and organized research
  • Other Institutional Activities – all other activities of the institution including athletics, residential housing, etc.
Calculation of the F&A Rate

ADMINISTRATIVE COST POOLS
- General Administration
- Departmental Administration
- Sponsored Program Administration
- Student Services

FACILITY COST POOLS
- Building Depreciation
- Building External Interest
- Land Improvements
- Equipment Depreciation
- Operations and Maintenance
- Library

INSTRUCTION

ORGANIZED RESEARCH

OTHER SPONSORED ACTIVITY

OTHER INSTITUTIONAL ACTIVITY

MTC* Limited to 26%

*Modified Total Costs
Calculation of the F&A Rate

Michigan State University
FYE June 30, 2014

Stepdown Schedule

<table>
<thead>
<tr>
<th>Cost Group</th>
<th>Total Cost</th>
<th>BLDG</th>
<th>EQMT</th>
<th>INT</th>
<th>CM</th>
<th>GA</th>
<th>DA</th>
<th>SPA</th>
<th>SSA</th>
<th>LIB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDIRECT POOLS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>01 - Building Depreciation</td>
<td>85,324,690</td>
<td>-85,324,690</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02 - Equipment Depreciation</td>
<td>43,642,775</td>
<td></td>
<td>-43,642,775</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03 - Interest</td>
<td>49,191,474</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-49,191,474</td>
</tr>
<tr>
<td>04 - Operations and Maintenance</td>
<td>154,683,586</td>
<td>7,426,636</td>
<td>4,402,318</td>
<td>10,391,102</td>
<td>-182,762,268</td>
<td>5,858,626</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>05 - General Administration</td>
<td>103,312,738</td>
<td>1,891,504</td>
<td>2,163,211</td>
<td>530,632</td>
<td>6,713,296</td>
<td>-114,611,381</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>06 - Departmental Administration</td>
<td>145,754,471</td>
<td>4,638,169</td>
<td>2,328,354</td>
<td>2,017,981</td>
<td>7,971,725</td>
<td>12,574,590</td>
<td>-175,285,290</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07 - Sponsored Projects Administration</td>
<td>14,544,745</td>
<td>285,513</td>
<td>106,082</td>
<td>21,558</td>
<td>568,110</td>
<td>1,259,118</td>
<td>-16,785,136</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08 - Student Services Administration</td>
<td>37,707,043</td>
<td>1,598,631</td>
<td>913,023</td>
<td>927,436</td>
<td>5,514,669</td>
<td>3,259,149</td>
<td>-49,889,981</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>09 - Library</td>
<td>20,705,187</td>
<td>1,293,188</td>
<td>855,876</td>
<td>570,561</td>
<td>4,555,163</td>
<td>1,788,776</td>
<td>-29,768,741</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DIRECT BASES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 - Instruction and Departmental Research</td>
<td>482,987,331</td>
<td>22,747,521</td>
<td>6,998,315</td>
<td>8,372,337</td>
<td>41,567,896</td>
<td>41,525,997</td>
<td>136,556,866</td>
<td>1,140,511</td>
<td>49,889,981</td>
<td>25,036,877</td>
<td>816,822,632</td>
</tr>
<tr>
<td>11 - Organized Research</td>
<td>228,300,372</td>
<td>11,134,520</td>
<td>9,401,435</td>
<td>7,672,404</td>
<td>51,214,104</td>
<td>19,628,874</td>
<td>31,485,953</td>
<td>11,189,698</td>
<td>2,675,394</td>
<td>372,702,554</td>
<td></td>
</tr>
<tr>
<td>12 - Other Sponsored Activities</td>
<td>74,142,588</td>
<td>2,913,260</td>
<td>1,484,515</td>
<td>2,422,612</td>
<td>5,371,331</td>
<td>6,374,586</td>
<td>7,243,476</td>
<td>4,454,926</td>
<td>610,267</td>
<td>105,017,541</td>
<td></td>
</tr>
<tr>
<td>13 - Other Institutional Activities</td>
<td>478,716,060</td>
<td>31,425,763</td>
<td>14,989,659</td>
<td>16,264,859</td>
<td>59,265,981</td>
<td>22,341,878</td>
<td></td>
<td></td>
<td>1,446,204</td>
<td>624,470,404</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total:</strong></td>
<td>1,919,013,040</td>
<td>15</td>
<td>23</td>
<td>-2</td>
<td>37</td>
<td>13</td>
<td>5</td>
<td>-1</td>
<td>1</td>
<td>1,919,013,131</td>
<td></td>
</tr>
</tbody>
</table>
## Calculation of the F&A Rate

**Direct Cost Group: 11 - Organized Research**

<table>
<thead>
<tr>
<th>Indirect Cost Group</th>
<th>Base Indicator</th>
<th>Base</th>
<th>Allocated Amount</th>
<th>Rate</th>
<th>Capped Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>05 - General Administration</td>
<td>All</td>
<td>228,300,372</td>
<td>19,628,674</td>
<td>8.60</td>
<td></td>
</tr>
<tr>
<td>06 - Departmental Administration</td>
<td>All</td>
<td>228,300,372</td>
<td>31,485,953</td>
<td>13.79</td>
<td></td>
</tr>
<tr>
<td>07 - Sponsored Projects Administration</td>
<td>Sponsor</td>
<td>184,728,153</td>
<td>11,189,698</td>
<td>6.06</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal For Administrative</strong></td>
<td></td>
<td></td>
<td>62,304,325</td>
<td>28.45</td>
<td>26.00</td>
</tr>
<tr>
<td>Facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>01 - Building Depreciation</td>
<td>On Campus</td>
<td>213,980,867</td>
<td>11,134,520</td>
<td>5.20</td>
<td></td>
</tr>
<tr>
<td>02 - Equipment Depreciation</td>
<td>On Campus</td>
<td>213,980,867</td>
<td>9,401,435</td>
<td>4.39</td>
<td></td>
</tr>
<tr>
<td>03 - Interest</td>
<td>On Campus</td>
<td>213,980,867</td>
<td>7,672,404</td>
<td>3.59</td>
<td></td>
</tr>
<tr>
<td>04 - Operations and Maintenance</td>
<td>On Campus</td>
<td>213,980,867</td>
<td>51,214,104</td>
<td>23.93</td>
<td></td>
</tr>
<tr>
<td>09 - Library</td>
<td>On Campus</td>
<td>213,980,867</td>
<td>2,875,394</td>
<td>1.25</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal For Facilities</strong></td>
<td></td>
<td></td>
<td>82,097,857</td>
<td>38.36</td>
<td>38.36</td>
</tr>
</tbody>
</table>

**On Campus Rate:**

- 66.81  
- 64.36

**Off Campus Rate:**

- 28.46  
- 26.00
Rate Negotiation Process

• MSU calculates the F&A rate every 3-4 years and submitted to the federal government (DHHS)
• DHHS auditors will review the calculation of the rate and may schedule an on-site visit for further review
• After the review is completed, the federal auditors will negotiate with MSU to determine a final rate
  • Length of agreement
  • Negotiation strategy – escalating vs. fixed rate
  • Federal assumptions regarding institution
  • Points of flex – difference between calculated rate and desired
Rate Negotiation

• MSU’s most recent rates were negotiated on June 26, 2015

• Calculated 67%, Capped at 64%, Negotiated 55% effective 7/1/16-6/30/19

<table>
<thead>
<tr>
<th>RATE APPLIES TO:</th>
<th>Current Rates</th>
<th>Future Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research (MTDC)</td>
<td>53.5%</td>
<td>55%</td>
</tr>
<tr>
<td>Other Sponsored Activities (MTDC)</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>Off-Campus (MTDC)</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Fee-for-Services (TDC)</td>
<td>26%</td>
<td>26%</td>
</tr>
</tbody>
</table>

F&A Rate Components for On-Campus Research

<table>
<thead>
<tr>
<th>Component</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Administration</td>
<td>7.7%</td>
</tr>
<tr>
<td>Departmental Administration</td>
<td>12.70%</td>
</tr>
<tr>
<td>Sponsored Projects Administration</td>
<td>5.60%</td>
</tr>
<tr>
<td>Total Administrative Cost Pools</td>
<td>26%</td>
</tr>
<tr>
<td>Building Depreciation</td>
<td>3.9%</td>
</tr>
<tr>
<td>Equipment Depreciations</td>
<td>3.3%</td>
</tr>
<tr>
<td>Interest</td>
<td>2.7%</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>18.1%</td>
</tr>
<tr>
<td>Library</td>
<td>1.0%</td>
</tr>
<tr>
<td>Total Facilities Cost Pools</td>
<td>29.0%</td>
</tr>
</tbody>
</table>

| Total F&A Rate                                   | 55%   |
How does MSU's rate compare to the Big 10?

- For FY 15, the average F&A rate for organized research in the Big 10 was 53.4%
Is it true that our 55% rate means ½ the project costs are for F&A?

• No! Actual is about 1/3
  
  • Project with $100,000 in Direct Costs and F&A of 55%:

    \[
    \begin{array}{ccc}
    $100,000 & 65\% \text{ Direct Costs}^* \\
    \hline
    $55,000 & 35\% \text{ F&A Costs}^{**} \\
    \hline
    $155,000 & 100\% \text{ Total Project Costs}
    \end{array}
    \]

\*$100,000/$155,000 = 65$

\**$55,000/$155,000 = 35\%$
F&A Rate Recovery

• How are F&A expenses recorded on the project?
  • Automatically recorded nightly to object code 6487
  • The rate is applied to Modified Total Direct Costs (MTDC) which is all direct expenses except equipment, graduate tuition, and the amount of sub-awards > $25k
  • Some projects use Total Direct Costs (TDC)
• During FY 15-16, F&A cost recovery generated $70 million in revenue for MSU
• What happens when sponsors don’t pay full F&A?
  • More institutional support devoted to research
F&A Rate Recovery

F&A Revenue - $70M

- Back to College ($7M)
- Back to Department ($7M)
- To VPRGS ($5.25M)
- F&A Support to the General Fund ($50.75M)
F&A Rate Recovery

• Most sponsored projects pay the negotiated rate
  • Exceptions:
    • USDA – 22/30% TFFA = 28.205 or 42.857% of MTDC or TDC
    • USDE – ~8.0% TDC
    • State of Michigan – 20% TDC (when not federal flow-thru)
    • Non-profits – 0% or rate per organization’s written policy
    • Testing (including clinical trials) – 26% TDC

• Indirect Cost Waiver/Reduction Process
  • Written justification from PI submitted to departmental chair, then college research associate dean
  • If approved, request is submitted to VPRGS for consideration
Questions?
Thank you!

Contract and Grant Administration F&A contacts:

Dan Evon, Director
evon@cga.msu.edu

Evonne Pedawi, Assistant Director
pedawi@cga.msu.edu
Service Centers

CORE 4

Presenters:
Dan Evon, Director, Contract and Grant Administration
Evonne Pedawi, Assistant Director, Contract and Grant Administration
What is a Service Center?

- An **operating unit** within the University that provides a service or group of **services**, or product or group of **products** to users principally within the University for a **fee** on a **regular and continuing** basis.
- “An operating unit within the University that regularly makes stuff or does stuff for $.”
Calculating Service Center Billing Rates

1. Identify all of the services provided or products produced
2. Identify your user groups (customers)
3. Determine how much it costs to produce the goods or provide the services
4. Determine price points for external customers (i.e. markups)
5. Send rates and cost calculations to Financial and Cost Analysis for renewal every 2 years (minimum) or annually if rates change annually
Fee-for-Service Activities

- *Fee-for-Service activities in academic settings* generally encompass service projects for which an external client requests a deliverable generated using known practical applications of standard procedures and established theories, methods and standard experiments using special or unique MSU research capabilities.

- *Fee-for-service work does not require original, creative, or scholarly analyses or non-standard interpretation of data sets by MSU faculty, staff or students engaged in the work.*
DY Accounts

• DY accounts are created for fee-for-service activities conducted in an academic setting. The procedures for establishing and modifying DY accounts vary depending on if those activities are to be counted towards a faculty member’s overall academic credit. This document separates the procedure for DY accounts based on the assumption of academic credit or no academic credit.

• Since fee-for-service activities are not gifts, they will not receive a gift announcement from University Advancement.
<table>
<thead>
<tr>
<th>Sub-Fund TypeDescription</th>
<th>Research &amp; Creative Endeavor</th>
<th>Fee-for-Service Activity</th>
<th>Board of Trustee Reported</th>
<th>F&amp;A Rate</th>
<th>eTransmittal Required</th>
<th>Fee-For-Service Project Form</th>
<th>Who Signs the agreement?</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>RC - Sponsored Project</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Full</td>
<td>Yes</td>
<td>No</td>
<td>BC: for-profit sponsors; OSP: all other sponsors</td>
<td>No Change</td>
</tr>
<tr>
<td>RG - Sponsored Project w/ accounting Restrictions</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Full</td>
<td>Yes</td>
<td>No</td>
<td>BC: for-profit sponsors; OSP: all other sponsors</td>
<td>Services Types will be moved to DY</td>
</tr>
<tr>
<td>DY - Service Activities w/ Faculty Academic Credit</td>
<td>No</td>
<td>Yes</td>
<td>Yes*</td>
<td>25% on deposit or exception from VPR</td>
<td>Yes</td>
<td>No</td>
<td>FSAO if MSU agreement and within authorized amount; BC for-profit sponsors; OGC to CGA Director for all other sponsors</td>
<td>Must be used for all fee-for-service projects that: 1) &gt; $5k, or 2) Have any compliance needs, or 3) Require a signature on a non-MSU Standard Agreement</td>
</tr>
<tr>
<td>DY - Service Activities w/ Faculty Academic Credit</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>25% on deposit or exception from VPR</td>
<td>No</td>
<td>Yes</td>
<td>FSAO if MSU agreement and within authorized amount; EC for other for-profit sponsors; OGC to CGA Director for all other sponsors</td>
<td>Used for Fee-for-service projects &lt; $5,000 May not be used for projects that: 1) Have any compliance needs, or 2) Requires acceptance of a non-MSU Standard Agreement</td>
</tr>
<tr>
<td>DS - Service Centers Self-supporting instruction &amp; public service activities</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>2%</td>
<td>No</td>
<td>No</td>
<td>Office of General Counsel to CGA Director for all other sponsors</td>
<td>Most DS accounts in academic settings will be closed and moved to a DY account</td>
</tr>
</tbody>
</table>

All must go thru OSP on eTransmittal

Notes: FSAO = Fee-For-Service Activity Office; EC = Business Connect; OGC = Office of General Counsel; CGA = Contract & Grant Administration; OSP = Office of Sponsored Programs

Agreements from Federal and Governmental Sources must run thru OSP with eTransmittal

* Will be accepted by the BDT as a part of a consolidated "generic" sponsors to various PI's for service activities on a periodic basis (quarterly or semiannually).
Thank you!

Contract and Grant Administration contacts:

Dan Evon, Director
evon@cga.msu.edu

Evonne Pedawi, Assistant Director
pedawi@cga.msu.edu