ANSWERS TO QUESTIONS CONCERNING THE UNIVERSITY OF DELAWARE’S TRAINING SEMINAR ON THE FUNDAMENTALS OF FEDERAL COST ACCOUNTING

The University of Delaware is committed to administering, spending, and accounting for grants responsibly, lawfully, ethically, and in compliance with applicable rules and regulations. Under federal law and UD policy, all principal investigators, all academic administrators who exercise responsibility in the sponsored research area, and all staff members who account for the expenditure of federal grant and contract monies are required to act consistent with the tenets of responsible conduct in research.

To ensure that all faculty members and staff engaged in the research endeavor understand their obligations under federal law and UD policy, the Provost’s Office, the Research Office, and the General Counsel’s Office will present a one-hour instructional seminar on federal cost accounting fundamentals later this fall. Below, we address some of the questions that may be on the minds of the people who will attend the training sessions.

(1) **When will the training seminars be offered? How long will the training take?**

The training seminar will be one hour long. It will be offered at six different times, with attendees selecting the date most convenient for them. The first seminar will be offered on Monday, October 24, and the last one on Wednesday, November 9. For faculty members who cannot attend in person, the seminar will be provided in the form of an online training module accessible on the Research Office web site.

You will receive another communication later this week with instructions on how to select the seminar you wish to attend. The dates and times of each seminar offering are:

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<tr>
<th>Date</th>
<th>Time</th>
<th>Location</th>
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<tr>
<td>Monday, October 24</td>
<td>12:00 noon to 1:00 p.m.</td>
<td>Perkins Student Center</td>
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<td>Thursday, October 27</td>
<td>8:00 to 9:00 a.m.</td>
<td>Perkins Student Center</td>
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<td>Tuesday, November 1</td>
<td>12:00 noon to 1:00 p.m.</td>
<td>Perkins Student Center</td>
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<td>Wednesday, November 2</td>
<td>9:00 to 10:00 a.m.</td>
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<td>Monday, November 7</td>
<td>9:00 to 10:00 a.m.</td>
<td>Perkins Student Center</td>
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<td>Wednesday, November 9</td>
<td>12:00 noon to 1:00 p.m.</td>
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(2) What will be covered in the seminar?

The session will treat two subjects.

First, it will explain the bedrock principles underlying federal cost accounting standards: the principles of *allowability*, *allocability*, and *reasonableness*. The objectives are, first, to acquaint principal investigators and others with the technical meanings of these terms (which are derived from OMB Circular A-21 and have the force and effect of law); and, second, to make sure researchers know where to turn for help if they need assistance applying these standards to particular expenditures relating to their grants.

Second, the session will frame some simple guidelines on what to do in order avoid potential compliance problems.

The session has been deliberately designed to be as concise as possible. It will be followed in 2012 and succeeding years with treatments of the same subjects in more depth.

(3) Why is the University providing this training?

For two reasons.

First, federal funding agencies expect research-oriented universities like UD to provide training to all PIs and grant administrators on principles of federal cost accounting. Those principles, detailed in OMB Circular A-21 and other federal regulations, are complicated, and the penalties for noncompliance can be severe for the PI and financially consequential to the institution. Training programs are an important component in institutional compliance programs.

Second, compliance is especially important at UD. We receive about $180 million annually in funding for research, about 75 percent of which comes from federal sources. Our accounting activities are voluminous, and the accounting function is largely decentralized so that compliance is principally the responsibility of PIs and grant administrators working at the department or unit level. We want to protect the members of our research community by ensuring that all PIs and grant administrators have a baseline understanding of federal cost accounting principles—and can demonstrate, if their grants are audited, that they received appropriate training. The Government takes these requirements seriously. Every funding agency has an auditing office that reviews expenditure reports on grants and contracts and audit and enforcement activities have increased in recent years.

(4) Why now?

The UD Research Office has always offered a wide array of training programs on effort reporting, human subject experimentation, export control restrictions, grant proposal preparation, and many other subjects. The Research Office, which recently hired a full-
time training coordinator, is augmenting its current offerings by adding increased focus on grant and contract fiscal management. In advance of the first wave of new programs, UD determined that it would be beneficial to the conduct of research—and would potentially protect members of the research community if their grants are ever audited—to provide refresher training on the rudiments of federal cost accounting to as wide an audience of researchers and accounting professionals as possible. Given the University’s legal obligation to expend federal funds appropriately, continued sensitivity on the part of federal agencies to the expenditures of their funds, and the potentially significant penalties that can be imposed for failure to account properly for federal funds, we want to offer the sessions as soon as possible.

(5) **You mentioned penalties. What penalties?**

When an expenditure report is submitted to a federal funding agency, the submitting institution and the PI both certify that the report is accurate. Submission of an inaccurate report creates potential liability under a variety of federal laws and regulations, one of the most important of which is the federal False Claims Act. The False Claims Act imposes potent penalties on organizations and individuals (such as PIs) for fraud and abuse in the expenditure of federal funds. Violators can be fined $5,500 to $11,000 per claim, plus three times the amount of the damages the government sustains. In addition, the False Claims Act contains provisions that allow employees and third parties to bring whistleblower lawsuits for substantial sums in addition to the amounts recovered by the government under the False Claims Act.

Enforcement actions under the False Claims Act can be deeply embarrassing to both the institution and the PI whose grant is investigated. An enforcement action can also result in the imposition of very substantial financial penalties and worse. Under other statutes, grant mismanagement is punishable by debarment from eligibility for federal funding and criminal penalties for willful violations. One standard way of protecting against liability under the False Claims Act and other laws is diligently to train researchers and grant accountants to ensure that all expenditure reports are submitted accurately.

(6) **Is attendance at the training seminar mandatory?**

Yes, for two reasons. First, federal funding agencies are placing increased emphasis on training for members of the research community in all aspects of the responsible conduct of research. A researcher who is not trained runs substantial risk if his or her grant is audited and compliance problems are found. Training is an important strategy for minimizing the risk we face in a highly regulated environment. Second, most research-intensive institutions require some form of mandatory or periodic training for researchers and grant administrators. At UD, we already mandate certain forms of training—for example, certification in effort reporting, IRB training for research involving human subjects. Because we want to protect the University and its faculty and staff, we want to ensure that our practices and requirements align with those of other leading research institutions.