

# FEDERAL GRANTS NEWS

*for Colleges and Universities*

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### Please Note:

This issue is a combined July/August issue. Your next issue will be dated September.



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## More ARRA Reporting Guidance Issued; Instructions for New Site Due Soon

As colleges and universities receiving grants made with American Recovery and Reinvestment Act (ARRA) funds gear up to comply with the ARRA reporting requirements, the Office of Management and Budget (OMB) has issued the latest — although likely not the last — in a series of guidance documents. The June 22 issuance was followed by a series of webinars held during the week of July 20, which focused on the guidance and provided some clarifications.

The June 22 memorandum from OMB Director Peter Orszag builds on previously issued materials and answers a number of questions that recipients have. First, and perhaps most importantly, it makes it clear that the initial reporting required under Section 1512 of ARRA for data on both prime recipients and subrecipients is due Oct. 10.

It is important to note that the guidance is not applicable to contracts. Interim final rules for contracts were published in the March 31 *Federal Register*, and in its June 22 guidance, OMB states that “consideration of the public comments received on the interim FAR clause might result in changes to the clause when it is finalized.” Any such changes would appear in the *Federal Register*.

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## Grants.gov Updates the Community While GAO Points Out Weaknesses

Grants.gov held its latest stakeholder webcast on July 15. These quarterly webcasts update the grantee community about current activities of Grants.gov and future plans. That same day, the Government Accountability Office (GAO) issued a comprehensive review of Grants.gov that found “systemic weaknesses” and included a set of operational recommendations.

### Grants.gov Volume Increases; Funds Needed for Improvements

Michael Pellegrino, Grants.gov Outreach Director, reported during the webcast that applications processed through Grants.gov increased by 56% between FY 08 the end of the second quarter of FY 09. Much of this increase is attributable to the large number of proposals submitted under Recovery Act programs, including a record 30,000 applications received in April during only eight days (see *Federal Grants News*, May 2009).

Reporting on various “builds,” Pellegrino said recent improvements to Grants.gov include increasing the speed of user log-in authentications, implementation of new functionality in “Track my Application,” error message updates, improved e-mail notifications, and initiation of immediate status updates.

Pellegrino also discussed future improvements that will increase processing capacity by 125% over FY 08 levels, support efforts required to ensure that software



and hardware changes implemented are tested and validated, and provide for a doubling of contact center capacity to handle increased call volumes. He stated that these changes are critical so that Grants.gov can handle the existing volume plus its anticipated activity from agencies that are now using alternate application mechanisms allowed by the Office of Management and Budget (OMB) due to the ARRA proposal volume. Scheduling of these improvements, however, awaits funding.

The update also included a discussion of system-to-system submission and the fact that the number of applications using this process have almost doubled.

The next stakeholder meeting is scheduled for Oct. 21, from 1:00-2:00 p.m. Eastern time.

**Link to webcast archive:** [www.grants.gov/help/stakeholder\\_communications.jsp](http://www.grants.gov/help/stakeholder_communications.jsp)

### GAO Report: More Negatives Than Positives

Congress asked GAO to examine applicant experiences in submitting applications through Grants.gov. Its comprehensive report, "Grants Management: Grants.gov Has Systemic Weaknesses That Require Attention" (GAO-09-589), was released on July 15.

In one of the few positives in the report, GAO said that the "Find" feature of Grants.gov is beneficial to

both applicants and agencies in that it provides a single source for identification of grant opportunities, and the "Apply" feature was praised for eliminating the need for paper applications.

### Adequate Funding Is Necessary

One of the key issues discussed in the report was the actual governance, responsibility, and funding of Grants.gov. The lack of coordination of these functions was responsible for many of Grants.gov's performance difficulties, according to GAO. In fact, the funding problem was so severe in spring 2009 that Grants.gov faced shutting down.

Grants.gov began with a charge to OMB in Pub. L. No. 106-107 to "direct, coordinate, and assist agencies in developing and implementing a common application and reporting system that included electronic processes with which a non-federal entity can apply for multiple grant programs that serve similar purposes but are administered by different federal agencies." The Department of Health and Human Services (HHS) is responsible for managing Grants.gov, however, various federal agencies are responsible for funding its operations.

The report noted that although Grants.gov offers benefits, its cumbersome registration requirements and undependable system performance create additional burdens for applicants and the potential for late submissions. The registration process, a prerequisite for application, was found to be complex and lengthy — taking anywhere from three days to two weeks to complete — and, as a result, organizations were unable to make timely proposal submissions if they did not allow for the delay in completing the registration process in their application submission time line.

Other factors cited by GAO as contributing to late submissions include software incompatibility, missing and corrupted attachments, and unexplained error messages. Additionally, applicants experienced difficulties in getting contact center assistance, particularly during the height of the proposal submission process for Recovery Act competitions, which could also contribute to late submissions. It was noted, however, that the response time of the contact center has improved.

### Users Should Be Consulted

Another topic discussed in the report was the lack of input from the grantee community, particularly as strategies for improving the application process and decreasing the burden on applicants were being formulated. This same issue had been addressed in previous GAO reports on Grants.gov performance. While

**FEDERAL GRANTS NEWS for Colleges And Universities** is published monthly (10 times a year with combined issues in July/August and December/January) as a part of **A Guide to MANAGING FEDERAL GRANTS for Colleges and Universities**.

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the government does have some constraints on the participation of nonfederal employees in formal committees, the report noted that town hall meetings or meetings of experts sharing individual opinions and advice are always allowable.

The report also discussed application deadlines and, in particular, closing times for receipt of applications. GAO pointed out the disparity across federal agencies with respect to such times, which has resulted in confusion for the applicant community. Likewise, there is also a difference among agencies as to what constitutes meeting a deadline, such as is it when the application was actually submitted to Grants.gov or when it was validated by the system?

### Recommendations for Improvement

GAO concluded that the Recovery Act has highlighted the importance of Grants.gov in the proposal submission process and made four recommendations that it believes will improve the process and Grants.gov itself:

(1) **Develop performance measures.** These measures should address system availability, usability, and data integrity. The system's performance in relation to these measures should then be reviewed on a regular, recurring basis and actions should be taken to make improvements as necessary.

(2) **Coordinate funding and management.** Guidance should be developed for both funding models for Grants.gov and the responsibilities of the various agencies involved.

(3) **Establish a user group.** GAO recommends that OMB work with HHS and other agencies to develop an applicant user group, or the like, in order to obtain grantee input regarding changes and improvements to Grants.gov.

(4) **Work to create standards for application processing.** The final recommendation is that OMB work with HHS, the Grants Policy Committee, and other agencies and federal groups in developing governmentwide policies for processing grant applications. The report suggested that these policies could address criteria for what constitutes a timely and complete application, notifications provided to applicants when applications have been received or have been determined to be incomplete or late, and the Grants.gov registration process.

### What's in Store for Grants.gov?

One topic of keen interest to the stakeholder community that was not addressed in the GAO report is the need for a clearly formulated direction to guide Grants.gov's future. For example, is the current use of

### A Big Thanks to Jane Youngers

Beginning with the September issue of *Federal Grants News*, Jane Youngers, who has written the newsletter for the past 12 years, will move into a new capacity as Editorial Adviser. The newsletter, which will be written by Francie Fernald and Darla Fera of the AIS staff, will continue to benefit from story ideas and other valuable insights from Jane and other campus-based sponsored research administrators. NCURA, NACUBO, and AIS wish to thank Jane for her many years of outstanding work as the writer/editor of *Federal Grants News*.

a commercial software product that issues continual updates the best system, or should a Web-based system be considered? And, even though a government-wide policy for application processing may be developed, experience indicates that some agencies will continue "to go their own way." Perhaps the implementation of the recommendations made in the report will provide a foundation to address these larger, ongoing questions.

**Link to GAO report:** [www.gao.gov/new.items/d09589.pdf](http://www.gao.gov/new.items/d09589.pdf). ✦

## NSF Releases Two More Effort Reporting Audit Reports

The National Science Foundation (NSF) Office of Inspector General (OIG) continues to release reports on its audits of effort reporting systems at colleges and universities, and the findings are becoming all too familiar. The two most recent releases, posted on June 30, represent the ninth and tenth in the series and report on audits of Georgia Institute of Technology and Cornell University.

### Some Internal Controls Lacking at GA Tech

The NSF OIG found that the Georgia Institute of Technology has a generally well established labor effort reporting system but lacks adequate internal controls over prospective workload allocation changes and after-the-fact transfers of labor costs. Similar to findings at other universities, the audit also found problems with Georgia Tech's policies regarding voluntary committed labor of principal investigators (PIs) and NSF's prohibition against funding more than two summer months' salary for PIs.

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The audit covered FY 07 expenditures. On-site reviews were conducted by the auditors during two, two-week periods in November 2007 and January 2008.

Georgia Tech's effort reporting system consists of monthly workload allocation reports (EWAFs) and an Annual Statement of Reasonableness (ASR), which summarizes the EWAFs for the year.

As it is at many universities, primary responsibility for all aspects of sponsored research projects, including approval of charges and assurance that the research follows award terms and conditions, rests with the PIs, in conjunction with academic department business administrators. Georgia Tech's business administrators post awards and their budgets to university financial systems. Further, they ensure that award expenditures are monitored on a monthly basis and that labor effort certifications are reviewed and approved by the employee or appropriate PI.

### Prospective Changes Not Documented

The auditors found that the university had not established an adequate system of internal controls over prospective changes in workload allocations because there is no assurance that the PI or other responsible official approved or was aware of the changes. The monthly EWAFs are distributed to employees assigned to sponsored research projects. Each employee is required to review the workload allocations and notify the department business administrator or the employee's supervisor if any changes are necessary, but university policies do not require any documentation of the justification for, or approval of, the change. The business administrators independently enter the changes into the effort reporting system. Although PIs can access monthly project cost reports online, which could alert them to changes in effort reporting, they are not required to do so.

The auditors noted that Georgia Tech internal audits have analyzed workload changes in each internal audit conducted since 2004. In 2007, approximately 3,700 transactions generated about 15,000 changes, and similar statistics were found each year. The internal audits, however, did not identify the changes as an internal control weakness, so no changes were recommended.

### Some Cost Transfers Lack Adequate Backup

Georgia Tech's effort reporting system also allows for changes, in the form of cost transfers, made after the labor has already occurred and has been posted to the system. University policy includes two conflicting

## NEWS ROUND-UP

**Stem Cell Guidelines Finalized.** The NIH has released its final guidelines on research with human embryonic stem cells (hESC). Effective July 7, the final guidelines implement Executive Order 13505 and permit use of hESCs that are either posted on a new NIH registry or have been approved for use after certain documentation has been submitted to NIH. **Link to the guidelines:** <http://stemcells.nih.gov/policy/2009guidelines.htm>. **Link to additional information from NIH:** <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-09-123.html> and <http://stemcells.nih.gov>.

**IRB Registration Rules Now in Effect.** The regulations requiring institutional review board registration went into effect July 14. Further information about the requirement is available at [www.hhs.gov/ohrp/assurances](http://www.hhs.gov/ohrp/assurances).

**E-Verify Once Again Delayed.** The Department of Homeland Security has once again delayed the implementation date for E-Verify, now until Sept. 8. Use of E-Verify, an employment verification tool, as a requirement for employees on federal contracts will be fully implemented at that time. **Link:** [www.dhs.gov/ynews/releases/pr\\_1247063976814.shtm](http://www.dhs.gov/ynews/releases/pr_1247063976814.shtm).

**GAO Looks at Bayh-Dole Act.** A recent report from the GAO looked at the federal government's use of march-in authority under the Bayh-Dole Act. None of the agencies reviewed by GAO — the Departments of Defense and Energy, NASA, and National Institutes of Health — had yet exercised march-in authority, yet agency officials for the most part value the option to do so. **Link:** [GAO-09-742, www.gao.gov/new.items/d09742.pdf](http://www.gao.gov/new.items/d09742.pdf).

guidelines regarding the cost transfers: one that requires full documentation and justification for any retroactive change, and another that requires such documentation only for cost transfers that are initiated 60 days or more after the payroll has been posted. The university follows the less-stringent 60-day rule. The auditors also found that the university processed post-60-day cost transfers even if the documentation was not adequate.

An internal audit found that 80% of transfers in 2007 (covering approximately \$600,000 in labor costs) were initiated within 60 days, which means that no

documentation or justification was required. Like the OIG audit, internal audits also found that documentation for post-60-day cost transfers was often inadequate. Although this statistic improved between 2005 and 2007 (from 67.4% unacceptable because the transfers lacked adequate documentation or justification to 21.8%), the OIG auditors noted that even the improved number represents a significant problem.

### University Agrees With Recommendations

The OIG auditors recommended that Georgia Tech make the following changes:

- ◆ Require written justification and approval or confirmation by the PI on all prospective changes to the EWAfs and to all labor cost transfers.
- ◆ Establish procedures to ensure that PIs and the university's Office of Grants and Contracts Accounting are notified about all prospective changes and cost transfers, including the explanations for them.
- ◆ Develop oversight procedures to periodically check on compliance with university and federal requirements on grants management, including interviewing PIs to ensure they understand and correctly fulfill their responsibilities.
- ◆ Update university cost transfer guidance to eliminate conflicting requirements.
- ◆ Review manpower needs so that enough staff resources exist to follow up on and oversee these changes to the effort reporting procedures.
- ◆ Change effort reporting training to incorporate the revised policies regarding prospective changes and cost transfers.

The university agreed with all of the recommendations and proposed changes that the auditors determined would meet the intent of all recommendations.

### Other Policy Changes Suggested

The OIG audit cited two areas that have shown up in nearly every one of the NSF effort reporting audits conducted so far. Although the audit did not turn up any instances of noncompliance in these areas, Georgia Tech does not have policies or procedures to specifically address them, which weakens internal controls over faculty reporting, according to the audit.

First, the auditors found that the university does not have any policies and procedures to comply with the Office of Management and Budget's (OMB) requirements to account for voluntary committed cost sharing. OMB issued a clarification memorandum in 2001 that requires an estimated amount to be computed and included in the university's organized re-

search base if a project does not include any faculty effort, either paid or unpaid, which includes voluntary committed cost sharing. Voluntary committed cost sharing is defined as "effort not required by the sponsor but proposed in the sponsored project narrative and/or budget with no corresponding funding requested."

The OIG auditors found that Georgia Tech policies do not address the OMB clarification memorandum, and the university does not require estimating PI time expended on awards for which no senior faculty time was requested. University officials told the auditors that although it rarely occurs, when a PI spends voluntary uncommitted time on a sponsored project, that time is charged to state funds. The auditors noted that even though it rarely occurs, the fact that the estimated effort is not being included in the indirect cost base is the result of an internal control weakness.

The second area cited by the auditors concerned NSF's requirement that no more than two months of summer salary be charged to NSF-sponsored agreements. The auditors found that university policy allows payment for the entire three-month summer session because that may be allowed by other federal agencies. The university relies on the PI and other university staff to know about NSF's two-month restriction and to comply with it. The auditors found that because the two-month restriction on NSF grants is not included in university policies, it is less likely that reviews will recognize and highlight violations of the rule.

To address the voluntary committed labor issue, the auditors recommended that Georgia Tech establish written policies to identify, estimate, and allocate voluntary committed labor cost share to a cost share account. To address the two-month restriction on faculty labor, the auditors recommended that the university establish a policy limiting charges on NSF-sponsored projects to two months of the faculty member's base salary in any calendar year. Georgia Tech concurred with both recommendations and proposed changes to policies that the auditors considered would meet the intent of the recommendations.

**Link:** [www.nsf.gov/oig/09\\_1\\_009\\_git.pdf](http://www.nsf.gov/oig/09_1_009_git.pdf).

### Cornell Audit Finds Verification Problems

At Cornell University, labor cost reports are sometimes certified by employees without first-hand knowledge of that labor and with no suitable means of verification, according to the NSF OIG audit. These findings are similar to others in OIG's on-going series of audits of major university effort reporting systems.

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OIG's auditors conducted two, two-week site visits at Cornell during January and April 2008. As part of this audit, they reviewed earlier audits, including Cornell's A-133 audits and a February 2007 internal audit of research and sponsored programs, which covered transactions for sponsored awards closed from January 2004 through December 2005 and sponsored program services.

### **Effort Reporting Weaknesses Cited**

As with many of NSF's other effort reporting audits, this audit says that the university did not place sufficient emphasis on effort reporting and "did not define in its policies what constituted a suitable means of verifying labor effort or establish adequate internal controls to provide for effective management and oversight of its labor effort reporting system."

Although some monitoring was occurring, the report found, there was no explicit review of the full-year effort by the principal investigators (PIs), and large numbers of employees were included in group certifications.

The audit found that some labor effort reports were certified by department and unit administrative officials who were not in a position to know whether the work was actually performed as reported (which is allowed by OMB Circular A-21), but who did not use a suitable means of verifying the work as required by the circular.

Cornell's effort reporting policy requires such officials to have a suitable means of verification, but it does not define what that is, does not require documentation by the certifying official, and does not hold certifying officials accountable for following certification policies and procedures.

Cornell does not provide PIs with training in effort reporting, nor are they required to be involved in the certification process, which can contribute to unreliable effort reports, according to the audit.

### **Internal Audit Found Similar Problems**

An internal audit issued by Cornell in 2007 found the same deficiencies that the OIG audit found, and the OIG audit noted that the university had failed to act on the findings and recommendations of that report. This, it said, was particularly troublesome.

The internal audit found that key terms, such as "suitable means of verification" needed to be defined in the university's policies, and that "first-hand knowledge" and "significant changes in effort" (regarding changes of 10% or more) needed to be clarified.

The internal audit called into question the practice of several departments to certify a group of employees' labor rather than having each individual self-certify. The internal audit also found a number of instances, as did the OIG audit, supporting the need for PIs to be trained in sponsored research administration.

According to the OIG audit, Cornell's response to each issue cited in the internal audit was brief and noncommittal, and even though there had been some "behind-the-scene" actions taken to address those issues, they had not been corrected by the time the OIG audit was conducted.

### **Planned Changes Will Address Findings**

The OIG audit recommended that Cornell update its policies to

- ◆ add detailed definitions of "suitable means of verification" and "first-hand knowledge";
- ◆ clearly define steps to take to demonstrate and document that a suitable means of verification is used before certifying effort reports and hold certifying officials accountable for following the revised procedures;
- ◆ ensure that all affected officials, including PIs, receive periodic labor effort training;
- ◆ require PIs to take a more direct role in the effort certification process; and
- ◆ respond more quickly to recommendations from internal audits.

Cornell officials responded to preliminary audit recommendations by outlining changes that will address the recommendations by the end of the year.

### **More Frequent Certifications Suggested**

Finally, the OIG audit noted that Cornell certifies effort reports only once a year, whereas almost all of the other universities that have been subject so far to NSF's effort reporting audits have multiple certification periods during the year. The audit notes that although yearly certification is allowed, the long period between the time the actual work occurred and the time it is certified, increases the risk of misstatement.

For instance, 21 of the 30 employees who were sampled in the audit were certified more than a year after the beginning of the reporting period, which the audit report noted was five months longer than the average of other major universities recently audited. Although no recommendation was made, the university replied that it will re-consider the frequency of its effort reporting process.

**Link:** [www.nsf.gov/oig/09\\_1\\_008\\_cornell.pdf](http://www.nsf.gov/oig/09_1_008_cornell.pdf) ✧

## ARRA Reporting Guidance

*continued from p. 1*

### Separate Reporting Site Set Up

Reports will be submitted to a new federal Web site, [www.FederalReporting.gov](http://www.FederalReporting.gov). The first report will cover funding received from Feb. 17 (the ARRA enactment date) through Sept. 30. Each additional report will be cumulative. The guidance provides the following example:

If October's report indicated that a project was 25% completed and at the time of the January report (covering activity through Dec. 31) another 25% was completed, the January report would show project completion at 50%.

The schedule for quarterly data input and verification is as follows:

- ◆ Applicants must submit their data by the 10th day following the end of the quarter (with the first report due Oct. 10, again, for the cumulative period ending Sept. 30).
- ◆ Between the 11th and 21st day, prime recipients are required to assure that the information is accurate and complete.
- ◆ Federal agencies are required to verify the submitted information beginning on the 22nd day and, pursuant to statutory requirements, by the 30th day following the end of the reporting period.

Both the June 22 guidance and subsequent webinars clarified that [www.FederalReporting.gov](http://www.FederalReporting.gov) is the site for reporting and that reports will be publicly available on [www.Recovery.gov](http://www.Recovery.gov).

### Model, Guidance for Subrecipient Reporting

The guidance gives organizations a preview of how reporting will be done. First, while few in the college and university community have not already registered in the Central Contractor Registry and obtained a DUNS number, both are required for reporting. Reports can be done in several ways: directly on-line at [www.FederalReporting.gov](http://www.FederalReporting.gov) using a data entry form; through an Excel spreadsheet that can be downloaded, completed, and uploaded back to the Web site; and through organizational system extracts in XML. A Recipient Reporting Data Model is available for review, which contains supplemental material, particularly with respect to the content of the Excel spreadsheet and the XML extract file. **Link to the model:** [www.recovery.gov/sites/default/files/Final+OMB+Templates.pdf](http://www.recovery.gov/sites/default/files/Final+OMB+Templates.pdf).

The June 22 guidance gives prime recipients the choice of either reporting their subrecipient data or delegating the reporting responsibility to the subrecipient. While it may be enticing to delegate such reporting, the webinars made it clear that the prime recipient will be responsible for all of its data and must verify subrecipient data as well during the verification period.

The webinars also made clear that the data elements that may be delegated are limited to those that are required under the Federal Funding Accountability and Transparency Act. The percent of project completion and jobs retained/completed still must be reported by the prime recipient. For these reasons, many institutions are choosing to report all of their data themselves.

The guidance also addresses vendor reporting. Vendor reporting kicks in at a rather high-dollar level — specific vendor data is only required when a purchase is over \$25,000. The webinar clarified that the \$25,000 vendor data requirement is per purchase and not cumulative. For example, if two pieces of equipment were purchased for an ARRA-funded project, one costing \$15,000 and the other \$30,000, the specific vendor data requirements would only be applicable to the \$30,000 item.

### More Help With Jobs Reporting

How to report jobs retained and jobs created has been the subject of much speculation among the higher ed community, and the June 22 issuance and webinars offered some clarifications. The recipient is to determine what constitutes an FTE (full-time equivalent) in terms of standard work hours and derive the FTE jobs retained/jobs created data from those work hours. The calculation is then derived by adding the total hours worked by all employees in the quarter and dividing by the total hours in a full-time schedule.

For example, for those organizations having a traditional 40-hour work week, the standard quarterly hours would be 520. For faculty whose effort is tracked on a percentage basis, the percents should be converted to hours using the standard institutional FTE hourly definition.

One of the concerns that many institutions have is how to satisfy the requirement to report jobs created/jobs retained for vendors. During the webinars, presenters indicated that this is likely only possible for major procurement items; the example given was the purchase of 10 school buses. For most colleges and universities, the vendor will not be able to provide or even identify this data, and it is expected that federal

models for deriving these estimates will be used by the government, rather than requiring the recipients to do this for small-level purchases.

Whether a job is retained or created is an institutional decision. For many institutions, budget cuts may have forced planned job reductions — consequently, FTEs that would have otherwise been eliminated and are now directly charged to ARRA awards certainly would qualify as jobs retained.

Neither the guidance nor webinars addressed how to count tenured faculty. In a panel of federal representatives at the June Council of Governmental Relations meeting, however, the message was clear that institutions should use a thoughtful and reasonable methodology in counting jobs retained/jobs created and that such a methodology would be acceptable.

The webinars provided other useful clarifications, including the following:

- ◆ The [www.FederalReporting.gov](http://www.FederalReporting.gov) Web site will be available for recipient registration by Aug. 17 and for reporting by Oct. 10.
- ◆ It is anticipated that the Excel reporting spreadsheet will be available before Aug. 17 and will be posted on [www.Recovery.gov](http://www.Recovery.gov).

◆ An FAQ on reporting is under development and will be available soon.

◆ Funding is considered received when it is drawn down; obligation does not equal receipt.

◆ There will be a help desk for data reporting.

### Stabilization Funds, Other Reminders

While not specifically discussed in the June 22 OMB guidance or the webinars, many state-supported institutions will be receiving state stabilization funds as flow-down of Department of Education funds to individual states. In many cases, these funds are coming as part of the institution's normal state appropriations process. It is important that institutions determine whether these funds are coming to their campus, as they will need to be reported as ARRA funds either through the state or directly by the institution.

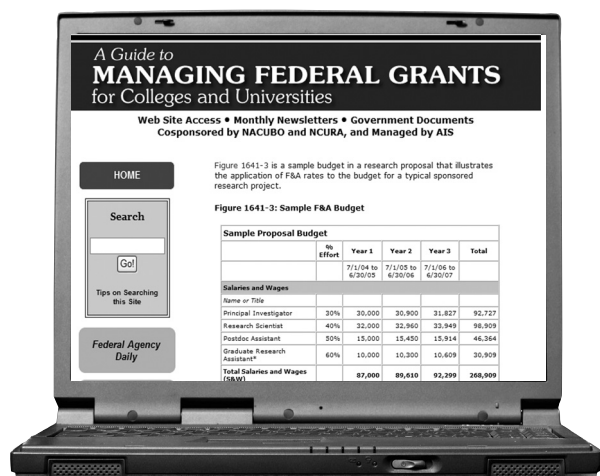
#### Link to June 22 OMB memo:

[www.whitehouse.gov/omb/assets/memoranda\\_fy2009/m09-21.pdf](http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-21.pdf).

#### Link to webinar presentations (slides and audio):

[www.whitehouse.gov/recovery/webinartrainingmaterials](http://www.whitehouse.gov/recovery/webinartrainingmaterials). ↵

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