

When to Stop, When to Go:

Purchasing and Making Effective Decisions



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**Have you ever been approached by a PI to
complete a purchase that seemed questionable?**

We are here to help.

When to Stop, When to Go

Session Objectives

1. Understanding your role as a Research Administrator in ensuring that all grant expenditures are allowable, allocable, and reasonable, and how to manage the relationship with a PI who is advocating for purchases that do not adhere to these standards.
2. Make informed purchasing decisions based on sponsor's intended use of the funding, and ensuring those purchases adhere to the Uniform Guidance and all state/federal thresholds related to procurement.

Headline



THE DENVER POST



POLITICS > DENVER POLITICS

Denver audit finds expense cards misused in \$2.1 million of city purchases

Auditor's office takes issue with way money was spent, but not necessarily what it was spent on.



By **ANDREW KENNEY** | akenney@denverpost.com | The Denver Post

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MacBook Air. "The computers were purchased on June 13, 2013, on a 4-year award that expired on June 30, 2013."

NEWS TICKER | UCSD

U.S. audit rebukes improper UCSD spending

Costly Apple picking and post-dated five figure trip claims

By Matt Potter, April 18, 2017



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Second former UNH researcher pleads guilty to stealing federal grant money

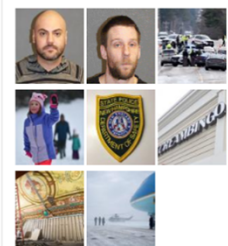
By KEVIN LANDRIGAN New Hampshire Union Leader Dec 13, 2018



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Hawaii News

DLNR funds mishandled, audit finds

By Rob Perez Honolulu Star-Advertiser | Tuesday, January 8, 2019, 10:01 a.m.

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HONOLULU — A multimillion-dollar state fund to acquire private land for conservation purposes has been poorly managed by the Department of Land and Natural Resources, hampering its effectiveness, accountability and transparency, according to a state audit.

The January report by Auditor Les Kondo also raised questions about whether state ethics and procurement laws were violated by the department when it issued three consecutive purchase orders for \$4,999.50 each, just 50 cents below the threshold requiring compliance with small-purchase procurement regulations. The three orders went to a consultant already on contract for the agency.

Expenditures and Encumbrances must be

Allowable

Allocable

Reasonable

Test your knowledge

Are the Costs Allowable
Allocable and Reasonable?

Allowable

An expense must be necessary and reasonable to achieving the grant's scope of work. In order to do so, this expense will need to conform to the constraints of the grant and must be treated consistently with how other federal awards are treated within your organization. The expense must also abide by the GAAP and cost share/matching requirements, and be documented adequately.

Allowable

Could a hot air balloon be deemed allowable?



Case Study

**What can happen if
you aren't properly
documented?**

Case Study

Background	Possible Fraud Indicators	Scheme Identified	Result
A recipient received a Federal award for specific purposes.	An inability to provide sufficient and verifiable supporting documentation concerning the actual use of those funds.		Recipient paid the Federal government over \$300,000 to settle civil fraud allegations.

Allocable

Goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

Allocable

Would You Accept This Charge?

Example: Allocated expenses of a consultant 50-50 for the two projects that she supports?

Reasonable

Determining the reasonableness of a purchase can be a judgement call. Before making a purchase, you must ask yourself:

“Would a prudent person incur this cost?”

Case Study

More than \$4 million in federal funds were misused between 2012-2015

- ❖ EW depleted employee annual leave funds
- ❖ EW spent unreasonable compensation expenses for former high-level executives
- ❖ EW paid unreasonable severance pay
- ❖ EW spent unreasonable and unsupported travel and other expenses



Case Study

“EW’s ‘tone of the top,’... did not reflect an organization committed to safeguarding millions of government dollars...”

U.S. Department of Labor – Office of Inspector General
REPORT TO THE EMPLOYMENT AND TRAINING ADMINISTRATION
EXPERIENCE WORKS, INC. MISUSED MORE THAN \$4 MILLION IN SCSEP GRANT FUNDS

Procurement Standards

Procurement Standards by States

Must follow the same policies and procedures it uses for procurements from its non-Federal funds.



General Procurement Standards



- ❖ Document procurement procedures
- ❖ Maintain oversight of terms, conditions, and specifications
- ❖ Maintain written standards of conduct covering conflicts of interest
- ❖ Avoid acquisition of unnecessary or duplicative items

Case Study

Why are procurement standards necessary?

Case Study

Background	Possible Fraud Indicators	Scheme Identified	Result
An individual was assigned to purchase equipment using a Federal award.	Circumvention of the established procurement process; vendor complaints.	Individual stole over \$100,000 by directing contracts to bogus companies that he had established.	240-month prison sentence

Methods of Procurement

- 1) Procurement by micro-purchases
- 2) Procurement by small purchases procedures
- 3) Procurement by sealed bids
- 4) Procurement by competitive proposals
- 5) Procurement by noncompetitive proposals



Methods of Procurement

Micro-Purchase

Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold

\$10,000 threshold

Periodically adjusted for inflation

Effective June 2018

Methods of Procurement

Small Purchases

Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold

\$250,000 threshold

Periodically adjusted for inflation

Effective June 2018

Methods of Procurement

Sealed Bids

Procurement by sealed bids (formal advertising) are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price.

Methods of Procurement

Competitive Proposals

Procurement by competitive proposals are normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids.

Methods of Procurement

Noncompetitive Proposals

Procurement by noncompetitive proposals are procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

Methods of Procurement

Noncompetitive Proposals

- 1) The item is available only from a single source;
- 2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- 3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- 4) After solicitation of a number of sources, competition is determined inadequate.

Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms.

The non-Federal entity must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

Property Standards

Equipment



- ❖ Title
- ❖ Use
- ❖ Managing Requirements
- ❖ Disposition

Equipment



Equipment

❖ Title

- ❖ Title to equipment acquired under a Federal award will vest upon acquisition in the non-Federal entity.

Equipment

❖ Use

- ❖ Equipment must be used by the non-Federal entity in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award, and the non-Federal entity must not encumber the property without prior approval of the Federal awarding agency.

Equipment

❖ Use

- ❖ Make equipment available for use on other projects or programs currently or previously supported by the Federal Government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired.

Equipment

❖ Managing Requirements

Property records

- description of property, serial number or identification number

Physical inventory

- at least once every two years



Control system

- safeguards to prevent loss, damage, or theft of the property

Adequate maintenance

Equipment

❖ Disposition

- ❖ Required when original or replacement equipment acquired under a Federal award is no longer needed for the original project or program, or for other activities currently or previously supported by a Federal awarding agency

Equipment

❖ Disposition

- **Over \$5,000 FMV**
 - Retained or sold:
 - If retained – current market value owed to agency
 - If sold – proceeds from sale to agency
 - selling/handling expenses equal to –
 - \$500 or ten percent, whichever is less
- **Under \$5,000 FMV**
 - No further obligation to agency



Internal Controls

Case Study

**Why are internal
controls necessary?**

Case Study

Background	Possible Fraud Indicators	Scheme Identified	Result
A nonprofit received \$2.7 million in Federal award funds to assist underprivileged children.	Unsuccessful program, lack of internal controls, unexplained income.	Funds had been diverted to pay for a wedding reception, building construction, plasma TV, and personal credit card bills, with an estimated total loss of \$450,000.	36- and 66-month prison sentences and full restitution.

Internal Controls

- ❖ Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Internal Controls

- ❖ Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- ❖ Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- ❖ Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Internal Controls

- ❖ Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

Thank you.

Questions?

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