

Chapter 3300

Post-Award Administration

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¶3301 Introduction

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This chapter provides general descriptions of and strategies for managing the post-award functions in a sponsored programs office.

In the usual life cycle of a grant, there is both a “pre-award” and a “post-award” phase. The pre-award phase includes the preparation of the proposal, its submission, any subsequent negotiation of award terms and conditions, acceptance of the award, and initiation of the project. The post-award phase includes everything that happens from the time the award has been initiated until the project has been completed and the award closed out. Jane Youngers of the University of Texas Health Science Center at San Antonio identifies and explicates the full range of post-award functions that are typically required for the administration of sponsored projects, whether funded by grants, contracts, or cooperative agreements.

Youngers has assembled a very complete collection of post-award topics, both financial and nonfinancial. Among the topics that Youngers addresses are award terms and conditions, allowable costs, effort certification, cost transfers, subrecipient monitoring, and award reporting and closeout. For most of these topics, Youngers has included illustrations of institutional policies, procedures, forms, and policy guidelines from leading research universities, both public and private. These illustrations are particularly useful for those charged with the responsibility of reviewing and improving the policies, procedures, and forms at their own institution. As Youngers so clearly points out, post-award administration covers a multitude of issues and topics. Failure to adequately address any of these topics could easily land an institution on the front page of the local newspaper.

Chapter 3300 will continue to respond to the information needs of research administrators through the addition of new material. Future updates will contain revisions, additions, and enhancements to ¶3305, as appropriate. Content added to other sections of the chapter will provide readers additional discussions of related topics (at ¶3320), practical tools (at ¶3330), case studies (¶3340), and statistics and survey results (at ¶3360). A “knowledge check” containing Q&As and discussion topics is included at ¶3390.

¶13305 **Post-Award Administration**

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The purpose of this chapter is not to visit the specific requirements of each regulation or policy that makes up post-award administration. Rather, the discussion focuses on management for post-award administration. Because the federal government is the primary sponsor of college and university sponsored programs, emphasis is placed on the federal requirements relating to post-award administration. In fact, as one examines the policies and procedures of most institutions, it becomes apparent that most of the systems in place mirror the federal requirements.

This chapter focuses on major institutional systems requirements per se and addresses them in the context of major post-award functions.

¶13305.1 **Overview of Post-Award Administration**

At its simplest, post-award administration is what happens after the proposal is submitted and the award is made. This area covers a multitude of policy issues and processes both financial and nonfinancial. When an institution receives an award from an external sponsor, it agrees to certain terms and conditions. In addition to conducting the work proposed, the institution also agrees to be a good steward of external funds. The post-award administrative function is in place to ensure good stewardship.

Assistance to Faculty

However, good stewardship is not the only important purpose that the post-award administrative function performs. It should be the mission of any office or unit that provides post-award administration to provide assistance to faculty members as they conduct the funded project and to the department/unit administrators that provide the frontline sponsored programs administrative tasks. That assistance can be provided in many forms — from producing easy to understand periodic reports that allow the investigator to know the ongoing financial status of the project to assisting with the closeout of the award, to providing appropriate information and training to the department/unit administrator, to anything in between.

¶13305.2 **Organization and Staffing Considerations**

There is no one correct way to organize the post-award functions of project administration. At some institutions, there is a clear delineation of pre-award and post-award activities. Once the proposal is submitted and an award has been made, further administration is turned over to the post-award administration unit or staff. For a majority of institutions, the traditional sponsored programs office handles pre-award and post-award nonfinancial matters such as the issuance of subawards and obtaining post-award approval from sponsors, where required. (For a full discussion of pre-award administration, see Chapter 2500.)

Another model that is clearly becoming more popular is the consolidation of the pre- and post-award functions into one sponsored programs office creating, in effect, one-stop shopping. Each institution must decide for itself what works best in its organizational structure and culture. Likewise the resources required to perform the post-award project administration function are highly dependent on the amount of external funding, the mix of such funding, and the structure of project administration at the particular institution.

Organizational structure is particularly important. The amount and type of centralized support is highly dependent upon the support at the institutional college, departmental, or individual research-unit level. If the institution has strong departmental administration personnel, it is less likely that the post-award office will need to provide extensive day-to-day administration on an individual project level. Likewise, without strong administrative support at the project level, the post-award office will be the office of first resort for investigators. (For an overview of institutional organizational models, see Chapter 300.)

Staffing Concerns

The amount of staffing required for the post-award function of sponsored programs administration is a direct result of the organizational structure of the institution. In addition, depending on the functions of the post-award office, staffing may have a direct relationship to the institution's cash flow position. Because one of the traditional functions of a post-award administration office is cash management, including letter-of-credit drawdown and billing, having the correct amount of staffing makes a difference in the amount of unreimbursed costs an institution carries. Not to be ignored are the spate of recent audit settlements involving post-award issues and the increasing interest by the federal government, as the primary sponsor at most institutions, in post-award administration requirements such as effort certification, cost transfers, and subrecipient monitoring. These types of activities have caused many institutions to increase their post-award administrative staffing.

While staffing-level metrics have often been attempted, no universal models have been developed. Why? As stated above, organizational structure plays a large role and the precise functions in any one office dictate the staffing levels. While one institution may have three individuals charged with monitoring the financial status of the award and producing financial reports to external sponsors, another may have five individuals who not only perform those tasks but also invoice sponsors. Consequently it is incumbent upon the institution itself to determine the tasks that need to be performed and the amount of staffing necessary to accomplish those tasks.

¶3305.3 Communication Issues

As with any administrative function of an institution, communication both within the post-award administrative units and to their community — including departmental and project staff, investigators, and the external sponsor — is paramount.

There are many ways communication can be accomplished. At the institutional level, a sponsored programs administration Web site is often used as the format to post

policies, reference grantee requirements, and announce new initiatives. Some institutions have established a listserv for investigators and administrators as an effective way of communicating policies. Others have developed investigator guides. (For a full discussion of communication issues, see Chapter 500.)

It is also important that each individual and institutional office (both centrally and at the department/unit level) understand its specific role and responsibilities in project administration. A sample of an investigator responsibility statement is shown in Figure 1.

Figure 1: Sample Investigator's Responsibilities

Although University XYZ is legally accountable to the sponsor as the official recipient of a grant or contract, the principal investigator or project director is responsible for the proper fiscal management and conduct of the project. To assist the faculty member in this very important responsibility, the university provides supporting administrative services and has established policies and procedures to help meet both sponsor and university administrative requirements. The university is, ultimately, legally and financially responsible and accountable to the sponsor for the performance of the sponsored activity and the proper use of funds, but without the full cooperation and vigilance of the PI, the university would fail in its stewardship role. In the truest sense, therefore, the sponsored programs process is a joint effort between the PI and the university; both must do their parts well in order to achieve success.

The PI must comply with all the terms and conditions imposed by the sponsor and see that project funds are managed efficiently and effectively within approved budgets. The PI must initiate all required approvals for budgetary and programmatic changes that may be necessary during the project. The PI is likewise responsible for the preparation and timely submission of technical reports and any other required deliverables.

In addition, the PI must ensure that all project members are familiar with and comply with the intellectual property and publication clauses of the grant or contract, with federal policies regarding research safety, protections, and integrity, and with applicable U.S. export control regulations. Inventions and copyrightable material produced under sponsored projects must be governed by the specific terms of the award received from the sponsor and must be handled in accordance with university policy.

Projects are conducted as a function of the appropriate academic unit (department, college, or institute). If the project is overexpended or if auditors disallow an expenditure, the university must ask the appropriate academic unit to cover this cost.

The PI has a responsibility to the sponsor, the department, the college or institute, and the university to ensure that the requirements of the sponsored project are met and the policies of the university are followed. Research policies are found at _____.

Source: Adapted from Pennsylvania State University materials.

Training and Education

Not to be dismissed are the training and educational opportunities that the post-administration office should afford the sponsored research community. Some institutions have made such training and educational programs mandatory at the investigator and/or department/unit administrator level. At present the federal government has not mandated any training requirements at the post-award level.¹

However, the Department of Health and Human Services (HHS) Office of Inspector General's (OIG) "Draft OIG Compliance Program Guidance for Recipients of PHS Research Awards" does suggest that an appropriate compliance program should include "the training of appropriate administrators, both at the institution and department levels, faculty (including principal investigators), other staff, and contractors on award administration and other program requirements."² The proposed guidance continues: "For example, administrative personnel who manage award funding should receive detailed training on federal cost principles and grant administration regulations and policies."

Whether mandatory or voluntary, there are many areas of post-award administration that the research administrator may wish to consider offering training in, such as allowable costs, effort certification, and understanding financial ledgers and reports. (For a full discussion of training and education issues, see Chapter 1100.)

Department-Level Training. Often such training and education programs are aimed at the departmental administrator. Many institutions have developed comprehensive training programs for department administrators that range from voluntary to mandatory. Post-award topics as part of such multisession programs include

- ◆ budget and expenditure rules and regulations,
- ◆ special considerations for budgeting,
- ◆ awards and negotiation,
- ◆ project setup,
- ◆ changes in awards,
- ◆ research salary and personnel issues,
- ◆ research accounting roles and responsibilities,
- ◆ F&A (facilities and administrative) costs,
- ◆ reports, and
- ◆ audits.

¹That is not to say that there are not mandatory training requirements in certain areas such as use of human subjects, animals, and other regulatory arenas.

²70 Fed. Reg. 71312 (Nov. 28, 2005). Subsequent to publishing the proposed guidance, the HHS OIG announced that it would not be going forward with issuing final guidance. Instead, the Research Business Models Subcommittee of the National Science and Technology Council will be developing broader, voluntary compliance guidance (see ¶920.1 and <http://rbm.nih.gov>).

Informal Gatherings. There are opportunities for more informal exchange of information and education as well that either serve to supplement the more formal training programs or simply provide information and exchange. Some sponsored programs offices present a series of brown-bag lunch sessions on the fiscal management of sponsored projects with the sole purpose of providing department staff with more detail, examples, and discussion about the day-to-day fiscal management aspects of sponsored projects. One institution holds financial administrator breakfasts to provide an opportunity for business office managers, department/unit staff, and faculty to discuss current issues in the financial administration of sponsored projects and to interact with post-award administration staff.

¶3305.4 **Resources**

A well-trained staff with well-defined responsibilities for certain functions is paramount to success in post-award administration. Post-award administrators need to have access to current regulations and clearly written and consistently enforceable institutional policies to rely on. If they are charged with financial monitoring and/or reporting, it is critical to have a financial system in place that provides accurate, reliable information that is easily accessed.

Desk References

Important items that the post-award administrator should provide to his or her staff are desk manuals that provide resource information, sample reports, examples, correspondence, etc. and details on the execution of certain procedures. Publications such as *A Guide to Managing Federal Grants for Colleges and Universities*³ and its accompanying newsletter not only serve as useful teaching and reference tools, but also keep the post-award administrator abreast of the latest developments in the post-award arena.

Professional Associations

Organizations such as the National Council of University Research Administrators (NCURA) are invaluable to the post-award administrator. Offering a diverse variety of programs including meetings, video conferences, publications, and the like, NCURA provides the sponsored programs administrator career-long learning opportunities.

Not to be dismissed in any discussion of resources is the value of networking with other administrators in sponsored programs. In fact, other than knowing the fundamentals of sponsored programs administration and having adequate institutional policies, a network of contacts at other institutions is the most valuable tool one can have. Through NCURA's national and regional programs, such contacts can be initiated and when issues arise, there are others to contact for assistance.

³*A Guide to Managing Federal Grants for Colleges and Universities*, co-published by the National Council of University Research Administrators, the National Association of College and University Business Officers, and Atlantic Information Services. For more information, visit www.AISEducation.com.

Finally, in the past few years, the Internet has emerged as an invaluable resource to the post-award administrator. Most institutions publish their policies and procedures on the Web and by accessing those, the post-award administrator can locate valuable resource information.

¶3305.5 **Overview of Post-Award Requirements**

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, establishes the key requirements for post-award administration. A-110, Subpart C sets forth the minimum standards that an organization must meet in order to be a recipient of federal assistance awards.⁴ Those requirements are in the areas of

- ◆ financial and program management,
- ◆ property standards,
- ◆ procurement standards,
- ◆ reports and records, and
- ◆ termination and enforcement.

Regulations applicable to contracts are contained in the Federal Acquisition Regulation (the FAR).⁵ While the FAR at times is more precise (e.g., in property reporting) or restrictive (e.g., in record retention requirements), it is generally assumed that if an organization meets the requirements of A-110, it will also meet, with exceptions, the requirements of the FAR.

Other important documents necessary for successful post-award administration at universities are OMB Circulars A-21, *Cost Principles for Educational Institutions* and A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and its annual Compliance Supplement.

The combination of the regulations and policy requirements of these documents form the basis of post-award administrative requirements. (For a full discussion of the OMB circulars, see Chapter 1300.)

Institutional Policies and Practices

The manager of the post-award function must have sound institutional policies to rely upon as well as the appropriate means of communication and diligent enforcement of those policies. Success in the post-award area can only come through that combination of critical factors.

It is also important to review established policies and procedures to ascertain whether they are up to date and whether they are being appropriately followed.

⁴Copies of the circulars can be found at www.whitehouse.gov/omb/circulars.

⁵The Web site for the Federal Acquisition Regulation is <http://acquisition.gov/comp/far/index.html>.

Several recent audits have found fault with institutions for not following their own published policies.

Key Requirements

There are a multitude of requirements and tasks as part of post-award administration. Rather than attempt to cover the universe, a number of critical tasks are discussed in the following sections with emphasis placed on addressing these issues through sound policies, procedures, and educational initiatives. The topics discussed below are those post-award administrative processes/tasks that are notably significant and, in part, include the following:

- ◆ Award terms and conditions
- ◆ Allowable costs
- ◆ Prior approvals
- ◆ Effort certification
- ◆ Equipment
- ◆ Cost transfers
- ◆ Program Income
- ◆ Award reporting and closeout

Research administrators should please note that where examples are provided, these are only examples. They may not meet a particular institution's needs, and they should not replace or substitute for the exact specifications of various statutes and regulations.

¶3305.6 Award Terms and Conditions

Post-award administration begins the moment an award is received. The award document must be reviewed to ascertain its terms and conditions, with respect to requirements for both financial management and nonfinancial management. Identifying any special terms and conditions at the outset and communicating those requirements is critical to assure appropriate management of the award.

Internal Notification of Award

The post-award administrator must make certain that each individual or unit involved in post-award administration understands the award terms and conditions. Some institutions accomplish this by the production of an internal notice of award that not only sets forth key information about the award, but also provides the investigator and his or her administrative unit guidance on items such as required prior approvals, award restrictions, and reporting. A sample internal notice of grant award is included as Figure 2.

Communication about invoicing and payment steps is necessary. All parties should also understand how payment will be made and, if required, who is responsible for invoicing the sponsor. For most awards billing and payment requirements are addressed centrally; however, there may be some awards where payment is based on project milestones or more detail is required on an invoice than is provided centrally.

Figure 2: Sample Internal Notice of Grant Award

Account No.: _____ **PI Department:** _____
Principal Investigator: _____ **Sponsor Award Number:** _____
Sponsor: _____

Project Title: _____
Purpose: (e.g., research, instruction, etc.) _____
Effort Certification Required? _____ **Project Location:** _____

Start Date: _____ **End Date:** _____

Budget Category	Amount This Action	Cumulative
<i>Example:</i>		
Salaries	\$ xxx	\$ xxx
Benefits	\$ xxx	\$ xxx
Supplies	\$ xxx	\$ xxx
F&A Costs	\$ xxx	\$ xxx
Total	\$ xxx	\$ xxx

Certifications: _____
Type: (e.g., animal use, human subjects etc.) _____ **Approval Status:** _____ **Approval Date:** _____ **Protocol No.:** _____

F&A Recovery: _____
Rate Type: (e.g., on/off campus) _____ **F&A Base:** (e.g., MTDC, S&W, etc.) _____ **F&A Rate:** _____

Investigator Effort Commitments (name)	Role (e.g., PI)	Percent

Transaction Approval Authority (name)	Role (e.g., PI or Administrator)

Remarks:
Example: Award not made under expanded authorities; agency approval is required for carryforward of balances into continuing year; rebudgeting in excess of 25% of total award; all foreign travel; any subawards. Progress reports are due annually, 60 days prior to end of period. No human subjects may be used until IRB approval is submitted to agency. Any publications should include the following notice: “_____.”

Accounting Instruction:
Example: Accounting to send invoice quarterly [agency, agency address]. Final invoice is due within 90 days of the end of the project period.

OSP Contact: (name) _____
Phone: _____ **Fax:** _____
Email: _____ **OSP Authorization:** _____

Distribution: **OSP File** **PI** **Accounting** **Department Administrator**

Award Modifications

It is also important that any award modifications be processed in a timely fashion and that the terms of the modification are communicated appropriately to the investigator and department/unit administrator. With most grants, such as those single project awards from the National Institutes of Health (NIH) and the National Science Foundation (NSF) where a new account number is not always necessary, many institutions automatically extend the award into the next budget period to allow for continued payroll, etc.

Whether or not to maintain the same account number for the continuation of a project is a procedural question that the post-award administrator must address. Here is one area where the post-award administration policies can assist the investigator and department/unit administrator. In most financial systems, payroll would not need to be redone if the account number stays the same across all years of the project or a project period.

Many institutions look at the award terms and conditions to assist them in developing their internal practices in this area. Determining criteria often used in developing practices include the following:

- ◆ Is the award a renewal (a new project period) or simply a continuation of an existing award?
- ◆ Can unobligated balances be automatically carried forward or is permission required from the agency with carry-forward balances restricted until such approval is granted?
- ◆ Are annual financial reports required?

For example, the NIH makes research project awards (commonly called R01s) for a fixed number of years known as the project period. Using the above as criteria, because a financial report is only needed at the end of the project period most institutions would only establish one account that carries through each of the years of the entire project period. When the award is renewed through a competitive submission, most institutions would then establish another account for the next project period. Where financial reports are required on an annual basis or where approval is needed to carry forward balances into the next year, most institutions establish a separate account for each year.

¶3305.7 Allowable Costs

Assuring that only allowable costs are charged to sponsored programs accounts is paramount to the post-award function. This is an area where a strong institutional policy and the development of criteria for allowability consistent with the requirements of OMB Circular A-21 are crucial. Determinations about the appropriateness of costs are first made at the investigator or department level. The post-award administrator should also accept that one of his or her primary roles is to support the department/unit administrator in making costing decisions and to provide resources and documentation of cost policies to that administrator. Consequently the post-award administrator should consider developing a matrix of allowable costs citing examples and exceptions.

One such matrix is included as Figure 3. A flowchart for determining allowability of costs can also be a useful educational tool; a sample is included as Figure 4 (on page 3305:13).

Finally, any discussion of allowability should include how costs are properly allocated to a project. One way of doing this might be to provide statements documenting a cost to a project. For example, some institutions require certain specific statements of allocability on reimbursement vouchers such as “this cost is made in support of the objectives of the project.” It would also be useful to develop cost allocation guidance as part of an allowable cost policy such as the example included as Figure 5 (on page 3305:14).

Figure 3: Sample Direct Cost Guidelines

The federal government is the largest sponsor of research and other scholarly activities at University XYZ. For that reason, the cost policies of the federal government, contained in OMB Circular A-21, set the standard for all sponsored activities.

For a cost to be allowable and chargeable to a sponsored program, it must meet the following tests:

- reasonable (Would a prudent person incur this expense?),
- allocable (Is the expense beneficial to the project?), and
- consistent with institutional costing practices (Is the expense treated the same way regardless of source of funds?).

If the sponsored agreement specifically states the expense is unallowable, it cannot be charged to the project irrespective of its appropriateness to the project.

The table below gives information regarding the allowability of some of the most common items of costs charged as direct. *In the case of an inconsistency between the provisions of a specific agreement and the provisions below, the provisions of the specific agreement should govern.* It is also recognized that University XYZ enters into agreements with private sponsors who have no specific rules regarding costing policies. If those agreements are not for research projects but are for other activities, certain exceptions to the following guidelines may be made.

Direct Cost	Normal Treatment
Salaries, Wages and Benefits <ul style="list-style-type: none"> ◆ Faculty ◆ Postdoctoral fellows ◆ Graduate students ◆ Undergraduate students ◆ Technical personnel ◆ Administrative & clerical staff 	Costs of personnel are allowable on research agreements to the extent supported by actual effort performed on the project and approved in the award budget. Periodic effort certifications will be used to document the actual effort performed. An individual's base salary must be used to compute the cost charged to a sponsored agreement; extra compensation or supplemental pay for work on sponsored programs is unallowable except in extraordinary circumstances and with specific agency permission. Administrative and clerical costs are generally recovered through indirect costs; therefore, they are usually unallowable as direct costs on federal agreements. The following exceptions apply: <ul style="list-style-type: none"> ◆ Direct charging of administrative and clerical salaries may be appropriate where the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support that is significantly greater than the routine level of such services provided by academic departments. The charging of these costs directly would need to meet the following general criteria:

Figure 3: Sample Direct Cost Guidelines (continued)

Direct Cost	Normal Treatment
Salaries, Wages and Benefits (continued)	<ul style="list-style-type: none"> • The costs must be relatively easily and specifically identified, with a high degree of accuracy, with a particular sponsored project. • The special circumstances requiring direct charging of these services must be justified to the satisfaction of the awarding agency. • It is a general rule that when the size, nature, and complexity of the project justifies administrative or clerical costs, the amount of effort put forward by the administrative or clerical staff member to the project should be at least 20%. <p>◆ Some examples of circumstances where direct charging salaries of administrative or clerical personnel may be appropriate are as follows:</p> <ul style="list-style-type: none"> • Large, complex programs, such as those involving "General Clinical Research Centers," program projects, and other agreements that entail assembling and managing teams of investigators from a number of institutions • Projects that involve extensive data accumulation, analysis, and entry; surveying; tabulation; cataloging; searching literature; and reporting (such as epidemiological studies, clinical trials, and retrospective clinical records studies) • Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars • Projects where the principal focus is the preparation and production of manuals and large reports, books, and monographs (excluding routine progress and technical reports) • Projects that are geographically inaccessible to normal departmental administrative services, such as field sites that are remote from the campus • Individual projects requiring significant amounts of project-specific database management; individualized graphics or manuscript preparation; human or animal protocols, IRB preparations, and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications <p>These examples are not exhaustive nor are they intended to imply that the charging of administrative or clerical salaries would always be appropriate for the situations illustrated in the examples above. Where direct charges for administrative and clerical salaries are made, care must be exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct costs for all activities.</p>
Business Meals and Meeting Costs	Only when specifically permitted by the sponsor agreement.
Donations and Contributions	Unallowable.
Entertainment Costs	Unallowable unless specifically approved.
Equipment	<p>Scientific: Allowable when the equipment is necessary and will be used primarily, or exclusively, for the project(s) to which the costs will be charged.</p> <p>General Purpose (e.g., desks, file cabinets, fax machines, computers): Unallowable unless specifically approved in the sponsored agreement or subsequently approved by the sponsor. In the case of computers, if a computer is essential to the performance of the work and will be used solely for such a project, costs may be allowable without further agency approval.</p>

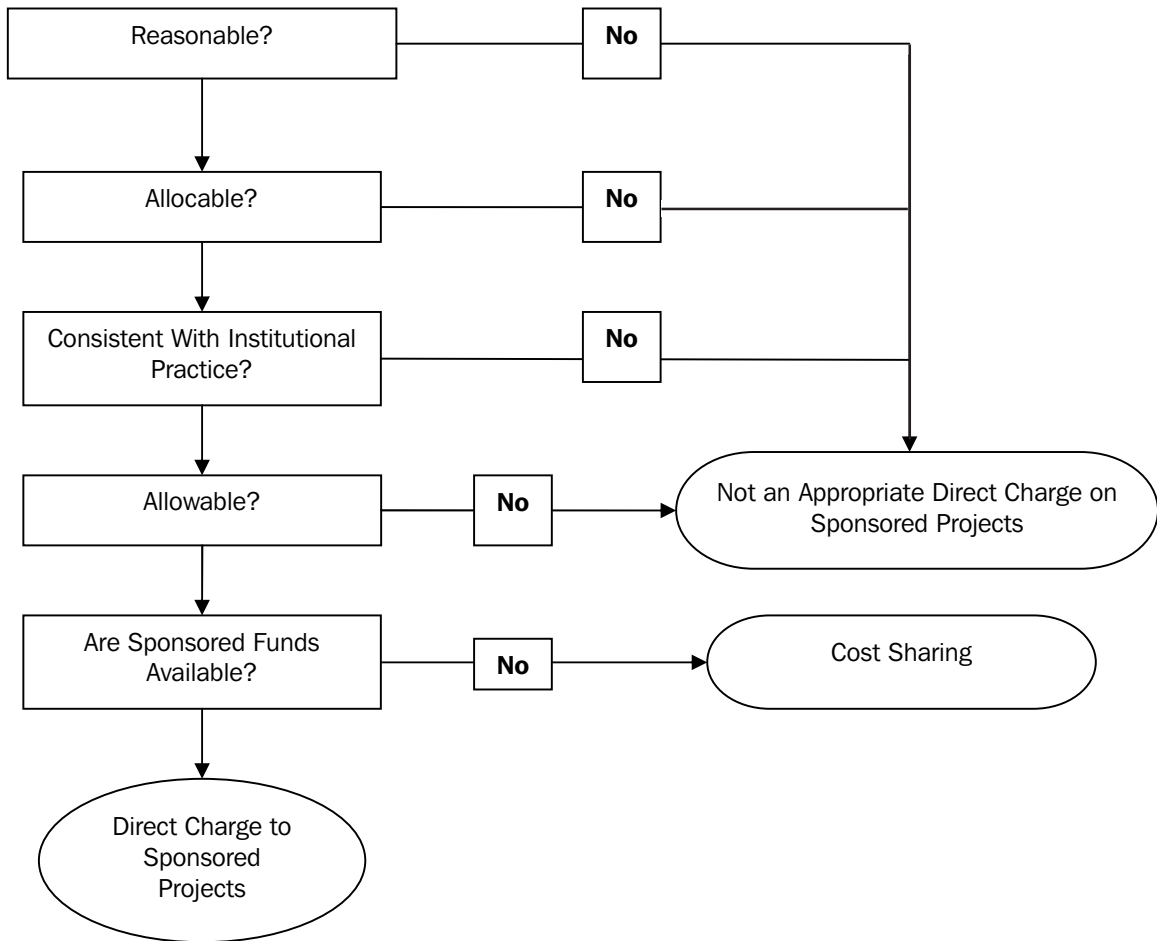
continued

Figure 3: Sample Direct Cost Guidelines (continued)

Direct Cost	Normal Treatment
Internet Costs	Costs of Internet connections from a person's home are generally unallowable.
Local Telephone (including monthly instrument charges)	Local telephone costs are generally unallowable as a direct cost. However, there are certain circumstances where these charges may be directly charged to a research project such as instances where patients call in to a specific telephone line.
Long Distance Telephone	Allowable when specifically identified with an individual project.
Materials (supplies, purchased materials, etc.)	<p>Project Supplies: Items such as chemicals, laboratory supplies and even pens, pencils, folders, notebooks, and the like that can be identified as being "exclusively for the support of" a sponsored agreement are allowable.</p> <p>Office Supplies: Items commonly found in any office such as wall clocks, calendars, waste cans, letterhead, staplers, etc. that would likely be used for purposes other than the award are unallowable except in specific circumstances.</p>
Memberships (scientific or professional societies)	Unallowable unless specifically approved by the sponsor.
Postage	<p>Routine Postage Costs: Unallowable except where a project requires specifically identifiable large mailings or the like.</p> <p>Special Mailing or Delivery Costs: Allowable when necessary for the success or completion of a project (example: overnight delivery charges for shipment of research materials to collaborators or from suppliers).</p>
Pre-Agreement Costs	Unallowable unless approved under the provisions of the specific funding agency.
Professional Services	Consultant fees are an allowable charge to sponsored agreements. Sponsor guidelines should be checked. "Honorariums" are typically not allowed; rather, payments to consultants are for services received.
Publications (books, subscriptions)	Unallowable unless approved by the funding agency or essential to the daily conduct of the project and not readily available from other sources (such as the library).
Scholarships and Student Aid	Unallowable to research projects.
Travel Costs	<p>Allowable if specifically benefiting the project.</p> <p>Foreign Travel (using federal funds): U.S. flag carrier rules apply. Such travel may require specific agency approval. Sponsor regulations should be consulted.</p>

Figure 4: Sample Guidance for Budgeting and Charging Direct Costs on Sponsored Projects

Is the Cost ...



Source: Adapted from Vanderbilt University materials.

Figure 5: Sample Policy on Allowable Costs

OMB Circular A-21

The Office of Management and Budget (OMB) Circular A-21 establishes the principles for determining costs applicable to agreements with educational institutions. For a cost to be allowable it must be

- **Reasonable**
A prudent person would have purchased this item and paid this price
- **Allocable**
Expenses can be allocated to the federally funded activity based on the benefit derived, cause and effect, or other equitable relationship
- **Consistently Treated**
Like expenses must be treated the same in like circumstances.
- **Allowable**
Permitted as a direct cost under the specific grant or contract.

Reasonable:

A cost may be considered reasonable if the nature of the goods or services, and the price paid for the goods or services, reflects the action that a prudent person would have taken given the prevailing circumstances at the time the decision to incur the cost was made.

To determine if an expenditure is reasonable, ask yourself the following questions:

1. Is the cost a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement?
2. Does incurring this expenditure violate any requirements or policies such as institutional policy, federal and state laws and regulations, and sponsored terms and conditions?
3. Have the individuals incurring this cost acted with due prudence (discretion and good sense) under the circumstances? Have they considered their responsibilities to the institution and the sponsor?
4. Were the actions that were taken with respect to incurring the cost consistent with established institutional policies and practices applicable to the work of the institution, including sponsored agreements?

Allocable:

A cost is allocable to a particular agreement if the goods or services involved can be directly assigned to that agreement.

To determine if an expenditure is allocable, ask yourself the following questions:

1. Is it incurred solely to advance the work under the sponsored agreement?
2. Does it benefit both the sponsored agreement and other projects in proportions that can be approximated through the use of reasonable methods?
3. Is it necessary for the overall operations of the institution and, in light of sponsored agreement rules and regulations, is it deemed to be assignable in part to the sponsored project?

Figure 5: Sample Policy on Allowable Costs (continued)**Expense Allocation Policies**

If an expenditure solely benefits one project, it should be charged directly to that project. However, sometimes an expenditure can benefit two or more projects. Lab chemicals are an example of an expense that could potentially benefit more than one project. When this occurs the expenditure must be charged in the same proportions as the benefits on the respective projects.

OMB Circular A-21 provides two methods for allocating an allowable direct cost to two or more awards:

The Proportional Benefit Rule

The proportional benefit rule applies when it is possible to determine the proportional benefit of the cost to each project. The cost is allocated according to the proportion of benefit provided to each of the projects.

The Interrelationship Rule

The interrelationship rule applies when it is not possible to determine the proportional benefit to each project because of the interrelationship of the work involved. The cost is distributed on any reasonable and rational basis because the proportional benefit cannot be identified and applied to the individual projects.

Following are examples of allocation methodologies:

- **Allocation based upon usage:** The cost of lab supplies allocated based upon the quantity used on each project.
- **Allocation based upon number of experiments:** The cost of syringes allocated based upon the number of experiments performed for each project.
- **Allocation based upon number of hours:** The cost of computer equipment allocated based upon the number of hours logged on for each project.
- **Allocation based upon the number of clients served:** The cost of personality tests allocated based upon the number of clients served.
- **Allocation based upon effort:** The cost of lab supplies proportionally allocated based upon the PI's percentage of effort charged to each project.

Consistently Treated:

All costs incurred for the same purpose in like circumstances must be treated uniformly either as direct costs or as facilities and administrative costs. Since certain costs such as administrative and clerical staff salaries and office supplies are normally treated as F&A costs, these costs cannot be charged directly to federal agreements unless the circumstances related to a particular project are clearly different from the normal operations of the institution.

Allowable:

Costs expressly unallowable or mutually agreed to be unallowable shall be identified and excluded from any billing, claim, application, or proposal related to a sponsored research project.

Sponsoring agencies use the term "allowable" to mean permitted as a direct cost under the terms of a specific grant or contract. Expenditures that are generally allowable for federal reimbursement may not necessarily be permitted under the terms of a specific grant or contract.

Source: Adapted from the University of Washington materials.

Administrative and Clerical Salaries

A challenging area in allowable costing is the requirements of OMB Circular A-21, F.6.b. that states, in part, “The salaries of administrative and clerical staff should normally be treated as F&A Costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the activity.” The circular’s Exhibit C lists examples of major projects or activities. (For a full discussion of F&A costs, see Chapter 1700.)

There are many schools of thought regarding compliance in this area. At some institutions, there are very stringent requirements that must be met prior to putting administrative or clerical salaries on a sponsored project. At others, the requirements are not so stringent. Even though examples of “major projects” whereby administrative and clerical salaries are allowable are provided in OMB Circular A-21, the area continues to be subjective, hence the different schools of thought on allowability of these salaries. Clearly, though, one of the purposes of the restrictive language is to stop the practice of clerical support at low percentages being charged to the so-called “single-investigator laboratory bench” project.

One relatively successful approach has been to stipulate a minimum percent effort that must be met before administrative or clerical salaries can be charged — this minimum percentage varies from 10 to 20 percent. This is also an area where periodic monitoring of salaries charged to projects can keep the research administrator informed as to what is happening at the institution.

¶3305.8 Prior Approvals

Regardless of which central office assists in obtaining any required prior approvals necessary for project or budgetary changes, investigators and their administrators should be aware of when such prior approvals are required and whether they can be granted institutionally or whether agency approval is required. Again, many institutions have developed matrices of such prior approval requirements that are either posted to their Web sites or available by another means to investigators and their administrative units. A sample prior-approval matrix that illustrates prior-approval authorities is included as Figure 6.

Figure 6: Sample Prior-Approval Matrix	
Approval Requirements under Expanded Authorities	
Prior approval is required for	How approval is obtained
Change in scope	Written request to awarding agency
Changes in status of key personnel (Withdrawal from the project; absence for any continuous period of 3 months or more; reduction of time devoted to project by 25% or more from level in approved application)	Written request to awarding agency
Change of grantee organization	Written request to awarding agency
Carryover of unobligated balances	Under expanded authorities; institution can approve
Deviation from award terms and conditions	Written request to awarding agency
Foreign component added to a grant to a domestic organization	Written request to awarding agency
Need for additional funding	Written request to awarding agency, including extension of a final budget period of a project period with additional funds
Pre-award costs (More than 90 days before effective date of the initial budget period of a new or competing continuation award, at grantee's own risk)	Under expanded authorities; institution can approve
No-cost extension of up to 12 months	Under expanded authorities; institution can approve; second no-cost extensions require awarding agency approval
Transfer of funds between construction and nonconstruction work	Written request to awarding agency
Transferring amounts from trainee costs	Written request to awarding agency

¶3305.9 **Effort Certification**

Payroll and effort certification is one of the most contentious areas of post-award administration. On the national level, it has been the subject of large audit findings at several institutions and is one of the risk areas singled out in the HHS "Draft OIG Compliance Program Guidance for Recipients of PHS Research Awards."⁶ On the local institutional level, payroll and effort certification is often cited by the faculty investigators as having "no grounds in truth."

It is imperative that an institution have a sound policy on effort certification that is widely disseminated and understood. Most institutions have found that just having a payroll verification system is no longer sufficient; rather, certification of payroll and committed effort is necessary. In other words, it is probably no longer sufficient to document that the payroll is correctly charged to the award; institutions need also to verify that the effort committed by the faculty member in the proposal is also verified. The committed effort verification is a direct result of the OMB January 2000 clarification on the treatment of voluntary uncommitted cost sharing.⁷

OMB Circular A-21, J.10 provides the basis for payroll certification policies. It gives some latitude to institutions as to the type of certification process they employ and

⁶See footnote 2.

⁷See www.whitehouse.gov/omb/memoranda/m01-06.html.

emphasizes that certifications must be completed by the person working on the project or by someone with “suitable means of verification.” In general it is not appropriate for administrative staff to make certifications for faculty investigators.

Institutional Policies

There are a number of policy issues in effort certification that must be addressed by the institution and implemented at the post-award administration level. The government expects faculty effort on each proposal and resultant award; therefore the institution should have a procedure in place to address the following:

- ◆ Does the institution require a certain minimum amount of effort and at what level?
- ◆ How does the institution track committed effort vs. payroll?
- ◆ Does the institution have a policy on whether committed effort can exceed payroll?
- ◆ If the effort certification process results indicate that an investigator has contributed less effort than committed, what is the resolution?
- ◆ What happens if the investigator contributes less effort than payroll charged to a specific project?

Individuals completing their effort certification reports often do not understand the requirements. Of late an increasing number of institutions have made effort certification education programs mandatory for faculty and department administrators. Issues frequently addressed in such effort certification training include

- ◆ an individual certifying effort must have “suitable means of verification” in order to make that certification;
- ◆ the difference between time (hours) and percent of effort;
- ◆ an individual’s institutional base salary;
- ◆ the difference between committed effort and payroll; and
- ◆ the procedure for changing effort commitments.

¶3305.10 Equipment

Under the guidance provided by OMB Circular A-110, institutions are allowed to set the “capitalization level” of equipment at any amount up to \$5,000, with the other determinant being that the equipment must have a useful service life of one year or more. For institutions with modified total direct cost (MTDC) facilities and administrative (F&A) rates, it is important that, whatever the capitalization level, the post-award administration office recognize that these costs will be exempt from F&A charges. Often institutions create specific budget subcodes that apply to capitalized equipment and, through their accounting systems, are able to automatically exclude these costs from F&A calculations.

Budget Deviations

There are two areas relating to equipment that deserve particular attention from the post-award administrator. First, investigators and department/unit administrators

need to recognize the effect of budget deviations on F&A assessment. If equipment is budgeted but supplies are purchased instead, it must be understood that the supplies category is subject to F&A charges such that each freed-up dollar will be available at a lesser amount once the F&A calculation is made (see example below).

Example

If equipment costing \$10,000 is not purchased and an institution's F&A rate is 50% MTDC, the amount of direct costs available for expenditure is not \$10,000, but rather \$6,667 with the remainder necessary for reimbursement of F&A costs. Obviously, if the reverse happens — equipment is not anticipated but is purchased — there will be F&A costs freed up for direct cost expenditure in the same ratio.

Fabricated Equipment

The second area that requires close attention from the post-award administrator concerns fabricated equipment. Because equipment is not always available off the shelf in the configuration necessary for research, investigators often make it themselves using various components. It would not be unusual for the fabricated piece of equipment to reach the capitalization rate and be exempt from F&A calculations. Institutions should have a policy that addresses equipment capitalization so there is no question as to when and how these instances of fabrication are addressed. A sample fabricated equipment policy is included as Figure 7.

Figure 7: Sample Fabricated Equipment Policy (assumes \$5,000 capitalization level)

Definition and Policy Statement. Fabricated equipment is defined as an item of equipment that is built or assembled from individual parts by an investigator and/or other sponsored project personnel, an internal shop, or an external shop. When a completed item of fabricated equipment has an aggregate cost of \$5,000 or more and when that item will be recorded as capital equipment in XYZ University's property management system, the individual component costs associated with the equipment fabrication (regardless of the individual amounts) will not be assessed the facilities and administrative (F&A) cost rate. This policy became effective _____.

Guidelines for Determining Applicability of Policy. The following guidelines apply in determining whether a given instance constitutes fabrication:

- This policy is intended for instances of original fabrication. Any subsequent modifications to the equipment or replacement of individual parts after the original fabrication do not qualify for F&A rate exemption under this policy, unless the subsequent modification/replacement itself costs \$5,000 or more and extends the useful life of the equipment.
- There should be a 1:1 correlation between a single fabrication and a single sponsored project. Only in rare circumstances, and with explicit disclosure to and approval by the sponsors, will the costs of a single fabrication be permitted to be charged to more than one sponsored project.

continued

Figure 7: Sample Fabricated Equipment Policy (continued)

- An original fabrication is expected to be started and completed within a single project period.
- Except in extremely rare circumstances, the individual items that comprise the fabrication are expected to be in the same physical space (i.e., one room).
- The F&A rate exemption on fabrication costs applies only in instances where ownership of the completed item rests with XYZ University. If the sponsor will retain ownership (title), the exemption does not apply.
- The applicability of this policy is intended for instances where a single piece of equipment is created through extensive construction or assemblage, often involving shop services. An instance where components are simply connected together in a system, such as when individual computers and servers are joined to create a network, does not constitute a fabrication.

Procedures. Fabricated equipment should be identified prior to the acquisition of component parts of services related to the fabrication. This identification can initially be made in the sponsored project proposal budget or later using the _____ form. In addition to identifying the fabrication in the proposal budget or the _____ form, the Fabricated Equipment Form must be completed to provide specific information necessary to ensure that the circumstances constitute a fabrication and later to track the fabricated item. The Fabricated Equipment Form can be obtained at [list Web site or office location here].

Costs that should be budgeted and charged to a sponsored account include materials and supplies necessary for the fabrication, as well as any internal or external shop service fees. Although project personnel may participate in the fabrication, their salaries will not be exempt from the F&A rate assessment. Only labor costs that are implicit in the internal or external shop rates will be F&A exempt. Labor, travel, and other costs associated with the services of an outside party in a fabrication should be incorporated in the external shop service fees.

Acquisitions related to the (F&A-exempt) fabrication should be charged to the following budget subcode: xxx. Costs charged to budget subcode xxx will not be assessed the F&A rate.

Once the XYZ Office of Sponsored Programs (OSP) and the XYZ Property Office have reviewed and approved the use of budget subcode xxx for a fabrication, OSP will open budget subcode xxx on the sponsored project account. This budget subcode is to be used solely for the purpose of accumulating the individual charges associated with this fabricated equipment, regardless of the individual amounts. Most individual charges will be in amounts less than \$5,000, but where an individual item in a fabrication costs \$5,000 or more, that charge should be recorded against budget subcode xxx, not the usual equipment budget subcode. Once budget subcode xxx is opened on an account, it is only to be used for the specific fabrication project for which it was approved. No other project expenses should be recorded against budget subcode xxx.

At the same time budget subcode xxx is created, the Property Office will assign an inventory tag number and will provide the number to the principal investigator. This number should be referenced in all acquisitions made for the fabrication. When the fabrication is completed, the principal investigator should alert the Property Office and OSP. The OSP will initiate an accounting entry to transfer the individual costs to the normal capital equipment budget subcode. The Property Office will tag the fabricated item and record it in XYZ University's property system.

Figure 7: Sample Fabricated Equipment Policy (continued)

When the F&A Rate Exemption Does Not Apply. If a fabricated equipment item will have an aggregate cost of less than \$5,000, the individual costs for all acquisitions made for the fabrication should be budgeted and charged to the normally used supplies and other budget subcodes. These budget subcodes will be assessed F&A. Budget subcode xxx should not be used. In this case, an inventory tag number will not be assigned as the fabricated item does not meet the capitalization requirements.

If the individual costs of a fabrication are charged to budget subcode xxx under the presumption that the aggregate cost will reach \$5,000 or more but the actual costs do not reach that level, the charges will be transferred from budget subcode xxx to the appropriate budget subcodes and F&A will be assessed.

If ownership of the final product is transferred to the sponsor, the F&A rate exemption does not apply to the individual fabrication costs. In such cases, the costs associated with the fabrication should be classified under the appropriate supplies and other budget subcodes and will be assessed the F&A rate. Budget subcode xxx should not be used. Items purchased as part of the fabrication that individually cost \$5,000 or more and would otherwise exist as stand-alone items of capital equipment should be charge to budget subcode yyy, Government/Sponsor Titled Capital Equipment. The yyy budget subcode will be subject to F&A charges.

Questions regarding this policy should be directed to: _____.

Source: Adapted from a Northwestern University policy.

¶3305.11 Cost Transfers

The transfer of costs either into or out of a sponsored programs account is often the subject of federal audit scrutiny and is an area needing particular attention from the post-award administrator. An enforced institutional policy should be in place and a procedure for approval of cost transfers should be widely disseminated.

Approvals

Another essential element that the post-award administration manager should consider is the approval process for cost transfers. For many institutions, late transfers (more than 90 days late) require additional approvals and place more stringent criteria for the allowability of transfers. For others, early transfers are almost pro forma when their financial systems do not allow multiple accounts to be charged for one purchase and allocation must be made across two or more accounts.

Payroll Transfers

Payroll transfers can be particularly problematic especially when such a transfer is made after the payroll or effort certification for the period in question has already been made. At some institutions, transfers of payroll costs to federal awards are not allowable. Others allow such transfers if they are adequately justified and if the effort certification is revised and signed by the employee whose payroll costs are being transferred.

Institutional Policies

It is important that the institutional policy address the timeliness of cost transfers as well as the reasons for the transfer. Again having a policy and ensuring that it is adequately understood by the campus research community is key. A sample cost transfer policy is included as Figure 8. A sample cost transfer explanation and justification form is included as Figure 9 (on page 3305:24).

Figure 8: Sample Cost Transfer Policy

To comply with the cost allowability and allocability requirements of OMB Circular A-21, it is necessary to explain and justify transfers of charges into federal awards from other federal accounts, nonfederal accounts, or institutional accounts that may be involved with cost sharing requirements.

In some instances, a cost transfer is unavoidable. This policy and accompanying guidance sets forth the procedures and approvals necessary for a cost transfer.

When the need for a cost transfer arises, the Cost Transfer Explanation and Justification Request (the Request) must be completed and signed. The explanation for the cost transfer must be clearly stated and must be sufficient for an independent reviewer (i.e., a federal auditor) to understand the transfer and conclude that it is appropriate. According to federal regulations, "An explanation which merely states that the transfer was made 'to correct an error' or 'to transfer to correct project' is not sufficient." Consequently, the Request may be returned to the administrative unit without approval because of insufficient explanation.

Cost transfers should be accomplished within 90 days of when the original charge was made. The 90-day time limitation applies when transferring expenses to a sponsored agreement. No time limit exists for removing expenditures from a federally sponsored agreement. If inappropriate expenditures are discovered on federal projects, they must be removed without regard to time limits.

Cost transfers that involve payroll charges require special treatment. If such a transfer is made after effort certification for the period in question has been accomplished, a revised effort certification form must be completed and signed by the affected employee.

Cost transfers made solely for the purpose of spending down the project funds are not allowable.

Documentation Guidance

Listed below are several examples of cost transfer documentation that do not meet the requirements described above, a description of the improvements needed in the documentation, and a suggestion as to how the description could be improved to meet the requirements.

1. Questionable explanation: *Transfer of supplies that were charged to the department in error.*

Issue: This explanation does not adequately explain why the wrong account was charged and why/how the charge is appropriate to the account being debited, nor does it describe how the error occurred. The explanation should be expanded to better describe the reason why the account being charged is appropriate and how the amount being transferred was determined.

Acceptable explanation: *The supplies being transferred were purchased using a procurement card (p-card). The administrative assistant did not review the p-card transactions by the deadline, causing the transactions to be expensed to the department account. Going forward, the administrative assistant will review all p-card purchases and assign the correct account number, if applicable, to be charged prior to the deadline.*

Figure 8: Sample Cost Transfer Policy (continued)**2. Questionable explanation:** *Transfer of overage to related project.*

Acceptable explanation: *The supplies to be transferred are used on related projects. Supplies should be shared equally on both projects; thus 50% of the cost of these items is being transferred.*

3. Questionable explanation: *To correct account incorrectly charged due to clerical error.*

Issue: Insufficient explanation of why and how the clerical error occurred and why the error was not corrected earlier. In general this explanation is only adequate if a transposition error occurred and such circumstances should be included in the description.

Acceptable explanation: *The research assistant in the lab who ordered the supplies used an account number of a project that was terminated. He has been instructed to use the new account number. In the future, all supply orders will be reviewed and approved by an appropriate department administrator prior to submission of the order so that such errors can be prevented.*

4. Questionable explanation: *Payroll appointment form was not processed in time.*

Issue: The explanation does not adequately address why the payroll appointment was not processed in time. The description should be expanded to better explain the circumstances of the delay in processing the appointment and the specific plan to avoid such occurrences in the future.

Acceptable explanation: *The administrator was informed of a faculty member's effort distribution change after the deadline for payroll appointments for the January payroll. The faculty member has been requested to communicate changes in effort in a timelier manner in the future in order to avoid such circumstances.*

5. Questionable explanation: *To charge a portion of the lab technician's salary to the project.*

Issue: The reason for the transfer is missing and there is no indication of why the payroll appointment was incorrectly made at the time the charge was generated. The description should be expanded to include a description of the individual's role on the project, the portion of salary being moved, and how the portion of the salary was determined.

Acceptable explanation: *Transfer 50% of the lab technician's salary to Dr. Smith's project. This individual performed experiments with mice and split his time equally between Dr. Smith's NIH project and his NSF project. We have talked with the lab technician and Dr. Smith to ensure that more information about the projects is shared in the future, which will better ensure that no such errors will occur in the future.*

6. Questionable explanation: *Move charge from department.*

Issue: The reason for the transfer is not stated. The description should be expanded to explain how the charge benefits the grant being charged and why the charge was not originally posted to the grant.

Acceptable explanation: *The start date of the grant was December 1. However, the account number was not established in the accounting system until January 15. The PI needed to purchase some materials to begin work on the project in December, thus the costs for the materials were charged to the department until the account was established. In the future, we will request an advance account for such charges.*

7. Questionable explanation: *To charge 10.58% of Dr. Wilson's salary to the research grant and close the account.*

Issue: Actual effort is to be estimated as closely as is reasonably possible. The use of very precise estimations is only allowable to the extent that the individual's effort can be confirmed with such precision. Increasing payroll for the sole purpose of expending project funds is not an appropriate or allowable use of sponsored project funds.

Acceptable explanation: *Dr. Wilson worked 10% of her time in January on the grant project. The payroll transfer is being made to reflect this effort.*

Source: Adapted from Vanderbilt University materials.

Figure 9: Sample Cost Transfer Explanation and Justification Form**COST TRANSFER EXPLANATION & JUSTIFICATION FORM**

If transfer is made within 90 days, answer Questions 1 and 2 only; if over 90 days, answer all four questions.

1. Why was this expense originally charged to the account from which it is now being transferred? (Indicate fund number and amount to be transferred)

2. Why should this charge be transferred to the proposed receiving federal account? (Indicate fund number and amount to be transferred)

3. Why is this cost transfer being requested more than 90 days after the 15th of the month following the accounting period of the original transaction? (Attach any necessary supporting documentation)

4. What action is necessary to eliminate future need for cost transfers of this type? Is this action being taken?

Requestor's signature: _____ (principal investigator or cognizant administrator)

Printed name, title, and phone no.: _____

Date: _____

Note: By signing above, requestor certifies that the cost to be transferred is an appropriate expenditure for the sponsored grant or contract charged and that the expenditure complies with the terms and restrictions governing that sponsored grant or contract.

If question 3 is applicable, the following approvals are required:

Senior School Financial Officer Signature: _____ Date: _____

Printed name, title and phone no.: _____

OSP approval: Signature: _____ Date: _____

Source: Adapted from Harvard University materials.

One useful mechanism a post-award manager can use that will limit the amount of cost transfers is to establish accounts prior to the receipt of awards. Typically these accounts are established so that payroll appointments can be made or equipment with long lead delivery times can be ordered. Advance accounts also allow the institution to take advantage of any prior-approval authorities they may have. A policy should be established that defines the terms of such advance accounts; typically, in order to establish such an advance account, the institution requires that the department take responsibility for costs should the anticipated agreement not materialize.

“Pre-award,” “at risk,” or “advance spending” accounts generally are authorized when the anticipated award is a standard grant from a known federal agency. There is always some risk, however. Further, if the institution needs to negotiate terms, it might be in a weakened position if some of the money has already been spent. However, if institutions are judicious about establishing advance accounts, the risk is minimal.

¶3305.12 Application of F&A Costs

Institutional F&A rates may not always be allowable on particular sponsored programs awards or, if they are allowable, may not be allowable at the federally negotiated rates. Consequently it is important that institutional systems either allow for such variations or that the post-award administration office be able to appropriately levy the allowable rates. One area that is sometimes difficult for the post-award administrator is the determination of on-campus and off-campus rate applicability. While most often determined at the time of proposal submission, it is important that the on-campus and off-campus rates be well defined so that the appropriate rates are being used on sponsored projects.

In most cases, the definition of on- and off-campus rates is contained in the F&A cost negotiation agreement signed by the cognizant audit agency and the institution. Often, “off campus” is defined as applicable when more than 50 percent of the project takes place in facilities or locations that are not owned or leased by the institution. Some institutions further define the off-campus rate as applicable when the project location is a certain distance (such as more than 50 miles) from campus. The negotiation agreement should be the guide.

¶3305.13 Cost Sharing

Along with effort certification, concern about compliance with cost sharing requirements and commitments has also reached epic proportions in the sponsored research community. Cost sharing compliance has become more visible because of its intersection with effort certification in the faculty effort commitment versus payroll area.

Institutions have also become more sensitive to the amount of cost sharing commitments made. Why? Cost sharing has an impact on an institution’s F&A rate, as any cost sharing provided as a part of an organized research project must be included in the institution’s modified total direct cost (MTDC) base. Any increase in the MTDC base will deflate the F&A rate.

Documentation

Documentation of cost sharing can be very challenging to the post-award administrator. There are a number of ways that this task can be accomplished. At some institutions, companion accounts paralleling the sponsored project account are established and cost sharing expenses are recorded in the companion account. Other institutions have separate budget or expense codes in the federal project account that record the cost sharing. For those institutions where neither of the above options is feasible, memorandum records are established and kept with the project file.

Regardless of how documentation is provided, it is important to track cost sharing beyond just the project level because the institution needs to track it in the entirety in order to properly include it in the F&A MTDC base.

¶3305.14 Program Income

Program income is defined in OMB Circular A-110 as “gross income earned by the recipient that is directly generated by a supported activity or earned as a result of an award.” Program income can come in many forms including fees for services performed, sale of research materials such as animal models or reagents, and fees from

Figure 10: Sample Program Income Procedures and Guidelines

Program income is gross income earned as a result of activities part or all of which are paid for as a direct cost by a federally sponsored grant or contract. Examples of program income include the following:

1. Fees for services performed, such as laboratory tests.
2. Money received from the use, sale, or rental of equipment purchased with project funds.
3. Sales of supplies or equipment purchased or fabricated with project funds.
4. Sale of software, tapes, or publications.
5. Sale of research materials such as animal models or reagents.
6. Fees from participants at conferences or symposia.

The use of program income is defined in the grant agreement; if a research project is being performed, program income is usually additive, meaning that any program income is treated as additional funding available for the conduct of the research project. Other agreements may indicate that the program income is to be treated as deductive (the amount of program income earned is subtracted from the federal obligation leaving the funding the same, but from two sources), or program income can be stipulated as being used to meet any matching or cost sharing requirements of the project.

When program income is either anticipated as part of a project or begins to be earned as part of a project, a separate account should be established to receive the income. The program income budget period will coincide with the total approved project period of the award. Program income may only be used for allocable project costs in accordance with the costing regulations established by the sponsor.

The amount and disposition of the program income will be reported in the final financial report of the parent grant to the sponsor. Final disposition of unexpended program income will be made upon termination of the related sponsored project.

Source: Adapted from University of Washington materials.

participants at conferences or symposia. For research projects, program income is additive to the project, but it can also be deductive or used as cost sharing. At most institutions, a separate account is set up to handle any anticipated program income. This is an area where it is also appropriate to establish institutional procedural and other guidance. An example of such is included as Figure 10.

¶3305.15 Subrecipient Payments and Monitoring

Overseeing the administration of subrecipient agreements and the ensuing monitoring requirements imposed by OMB Circular A-133 is a challenge to most post-award administrative offices. (For a full discussion of administering subawards, see Chapter 3700.)

Invoicing

The invoicing requirements for subawardees should be clearly outlined in the subaward document. Usually the subawardee is directed to submit invoices to the post-award office, which reviews the invoice and submits it for approval to the investigator. The subaward document should also clearly state when final invoices are due so that they may be received and paid prior to the deadline for the prime institution's financial report submission. Two methods are most often employed for the final invoice.

The prime institution will make the deadline date for invoices 60 days after termination; that provides a month's cushion to receive and pay the final invoice (prime recipients generally have 90 days after termination to pay final invoices). Other institutions will terminate the subawardee one month prior to the termination of their own agreement to assure that final invoices are received in a timely manner.

Subaward invoices should include the same documentation and detail that is required of the prime award.

Monitoring

Subrecipient monitoring requirements are set forth in OMB Circular A-133 and its Compliance Supplement. The post-award administrator should establish procedures that will allow him or her to address the requirements. The first of these is the review of a subrecipient's A-133 audit reports. Depending on the subrecipient, institutions have set up various mechanisms for receipt and review of these audit reports. When the subawardee is another college, university, or large nonprofit research institution, the report is usually requested at the time of subagreement issuance. A sample request for the audit report is included as Figure 11.

When the subawardee organization does not meet the minimum requirements for an A-133 audit, some institutions use a pre-award qualification questionnaire to determine whether the organization has the policies and procedures in place to adequately assure compliance with subawardee requirements. Issues that may be addressed in the questionnaire could include what systems the subawardee has in place to assure appropriate fund management, such as information on their accounting system, salary policies, purchasing procedures, and the like.

Because A-133 allows the prime institution to make risk determinations based on size of awards, program complexity, and pass-through percentages, there is no one standard utilized for monitoring activities. Most institutions rely on their faculty investigator to monitor subawardee performance and, through approval of subawardee invoices, monitor and approve costs. Because the faculty investigator plays such a large part in this process, it may be useful for the post-award administrator to develop a set of expectations for the investigator. A sample memorandum that can be used to do this is included as Figure 12.

Figure 11: Sample Request for A-133 Audit Information

Reference: (name of subawardee)
 Agreement Number:

XYZ University (XYZ) is required by OMB Circular A-133 to determine if our subrecipients have met the audit requirements of the circular and whether they are in compliance with federal laws and regulations.

Please check the appropriate items below, sign, and return to the address indicated below.

I certify to the following:

- (1) We are not subject to the audit requirements of OMB Circular A-133 because our organization expended no more than \$500,000 in federal funds during the fiscal year ended _____.
- (2) We have completed our A-133 audit for our fiscal year that ended _____ and
 - Financial statements received an unqualified opinion from our independent certified public accountants; the administration for federal projects has been audited in accordance with OMB Circular A-133, and there were no material instances of noncompliance with federal laws and regulations or reportable conditions; and there were no findings in the single audit report that are specifically related to awards from XYZ.
 - We have completed our OMB Circular A-133 audit, and material noncompliance issues and/or reportable conditions were noted. A copy of the audit report and our response is attached.
 - There were findings in the single audit report that are specifically related to a prime award from XYZ. A listing of awards and the explanation of the findings as they relate to the prime award is attached.
- (3) We have not completed our OMB Circular A-133 audit. We expect the audit to be completed by _____.

 Name (typed or printed)

 Title

 Signature

 Date

RETURN THIS CERTIFICATION AND DOCUMENTS, IF APPLICABLE, TO THE _____ AS SOON AS POSSIBLE. IF YOU PREFER TO FAX THIS CERTIFICATION, THE FAX NUMBER IS _____.

Figure 12: Sample PI Subrecipient Monitoring Memorandum

To:

From:

RE: Subaward to
Under federal award

We have recently issued the referenced subaward for work to be conducted under your federal award. It is attached for your files. As the prime grantee, both XYZ University and you, as principal investigator/project director, have certain obligations for oversight of the entire project. These obligations include appropriate monitoring of a subawardee's performance and costs.

As you are aware, the subawardee is required to submit periodic invoices to the XYZ Accounting Department. In turn, the XYZ Accounting Department will prepare a voucher for payment and send that to you along with the subawardee's invoice for review, approval, and payment authorization.

Prior to your approval, you should review the invoice to determine that the amount being requested for payment is consistent with the accomplishments of the subawardee during the billing period. Normally, you would most likely be familiar with the subawardee's performance through telephone conversations, technical meetings, progress reports, or site visits. If you believe there are problems with the invoice, such as equipment purchased without any required prior approval or more labor charged than you believe was expended, you should not approve the invoice for payment. Rather, you should consult with your department/administrative unit and XYZ Office of Sponsored Programs to resolve these issues. In addition, you should *not* authorize payment until the subawardee has signed the subaward agreement. You will receive a copy of the fully signed agreement from my office.

Final invoices should only be approved for payment if you are satisfied that the subawardee has completed its performance under the award and that the costs incurred are appropriate for that performance.

Should it be necessary to terminate the award early, you should notify XYZ Office of Sponsored Programs in writing. We will then coordinate the termination with you.

If you have any questions about your obligations with respect to subawards issued under your grant, please feel free to contact XYZ Office of Sponsored Programs.

cc: Department/Administrative Unit Administrator (w/encl.)

Desk Audits. The post-award administrator may wish to make use of periodic desk audits of subawardee invoices when the amount of funding passed through warrants such an audit or when the subawardee is unknown or determined to be a risk.

International Collaborations. Subawards to foreign institutions pose particular challenges. For most organizations, risk determinations for foreign institutions are related to whether that institution is a federal grantee. An institution could make the assumption that if the entity meets the requirements to be a federal grantee, its policies and procedures must be adequate. (For a full discussion of international collaborations, see Chapter 3500.)

¶3305.16 Award Reporting and Closeout

Accurate and timely closeout of awards is one of the last steps in the post-award administration process. Award closeout is not just the responsibility of the post-award manager, but also that of the investigator (who must file technical reports, for example) and others at the institution (who also might be required to submit required invention and property reports, for example), where applicable. Even in the financial area, the assistance of the investigator and/or the department/unit administrator is often critical to properly closeout an award.

Notice of Closeout

Many institutions have developed award closeout procedures and policies that provide advance notice to investigators and department/unit administrators so that encumbrances can be cleared and any necessary account cleanup started. An example of such a closeout procedure is included as Figure 13.

A challenging part of closing out an award is making certain that all “trailing charges” have hit a project account. Trailing charges are those that typically are not expensed to a project account until the next one or two ledger cycles. Typical trailing charges include internal service center costs for animal per diem, shops, or printing. The post-award administrator needs to understand the service center’s billing cycles and plan for them accordingly in the closeout process. At some institutions, the service centers themselves have been put on notice that their charges must be made in a timely fashion (with a period specified) or the account may not be able to accept the charges.

Subrecipient Billing

Another type of trailing charge often encountered is subrecipient billing. Regardless of the internal review and approval process for subrecipient invoices, it is often the subrecipients themselves that submit late invoices. Care should be taken to specify clearly up front in the subrecipient agreement that invoices received beyond a certain time after the termination date of the agreement may not be honored.

Figure 13: Sample Financial Closeout Procedure

The closeout process for a sponsored research account begins when the account is approaching the termination date of the award. While a funding sponsor may require other closeout reporting or documentation (e.g., technical, property, or intellectual property reporting), the following outlines the closeout process with respect to financial reporting.

1. Ninety (90) days before the account expiration, a first notice is sent to the appropriate department/unit administrator from Sponsored Programs Accounting (SPA). This notice states that the account is about to expire and that the administrator should begin monitoring the account more closely. The same notice is again sent at sixty (60) days and thirty (30) days prior to the expiration date. These notices explain what actions are needed by the department, such as requesting an extension to the account, if necessary, processing appointment forms to move payroll charges to new accounts, and reviewing ledgers to determine what entries are outstanding and what corrective entries may be required.
2. The third week of the month following the end of the project, a draft report of expenditures will be sent to the Principal Investigator (PI) and the department/unit administrator. They will have three (3) weeks to return one signed copy to SPA specifying any outstanding corrections and/or obligations that need to occur before the final financial report can be submitted to the sponsor. PIs who are not able to meet this deadline should notify SPA who, in turn, will notify the sponsor that the report may be delayed.
3. Once the draft report is returned to SPA, any necessary adjustment and closeout entries will be made. SPA will also conduct a review of F&A (indirect) cost charges for accuracy. A final report is then prepared by the accountant and submitted to the SPA manager for review and signature. The amount reported must match what is on the institutional ledger. The report is submitted to the sponsor and a copy is sent to the PI.
4. If the draft report is not returned by the PI, the SPA accountant will use the University ledger generated in the second month after the termination month and prepare a final report to the sponsor based on that information and close the account.
5. After the final report has been submitted, the department/unit will have the responsibility to make sure that any specified outstanding transactions are appropriately recorded on the accounting ledgers and any inappropriate charges are removed.

It is very important that financial reporting is done on a timely basis. Most sponsors require a financial report within ninety (90) days of the termination date. If a department does not provide the required information to SPA to meet the reporting deadline, the University could be in jeopardy of not being reimbursed for its costs or losing administrative privileges or rights granted by the sponsor. Costs that are not reimbursed due to a lack of response become the responsibility of the department/unit.

Source: Adapted from University of Rochester materials.

¶3305.17 *Incoming and Outgoing Investigators*

Faculty investigators arrive and depart institutions on a regular basis. For investigators leaving the institution, it is generally a requirement that a relinquishing statement or estimated statement of expenses be prepared in a timely manner. At some institutions, the estimate is prepared using actual and anticipated expenses at date of termination along with a reasonable contingency (10 to 15 percent) to allow for any unanticipated expenses or trailing charges. In doing so, it is likely that the unexpended balance shown on the final financial report will not be less than anticipated and the institution can assure itself that all of its expenses are covered.

Going back to the sponsor because the costs were underestimated is a time-consuming and not always successful experience. When a faculty member departs, it is important to review and approve any equipment that is departing with the investigator to assure that the institution has the right to transfer such equipment. Any other reports needed (such as invention statements, effort certifications, etc.) should be completed prior to the investigator's departure. Finally institutions should make sure that the faculty investigator is not delinquent on any technical reports. If technical reports are to be submitted after the faculty member has left the institution, the faculty member should clearly understand his or her responsibility to do so.

Accepting Transferred Awards

For incoming investigators, it is important to establish contact early with the investigator's former institution in order to transfer ongoing awards in a timely manner. Because transferring awards are rarely received prior to the investigator's arrival at the institution, it may be necessary to create advance accounts for them using established institutional procedures.

¶3305.18 *Special Issues for Smaller Institutions*

The smaller institution, sometimes referred to as a predominantly undergraduate institution (PUI) or non-research-intensive institution, faces particular challenges in post-award administration. It is not uncommon in such institutions to find post-award functions located in the institutional business office and the manager of post-award may have a number of other nonsponsored research-related duties as well. (For a full discussion of special issues for PUIs, see Chapter 2300.)

Sponsored Programs 'Generalists'

Unfortunately the regulations and policies of granting agencies do not make distinctions for the size of a grantee's funding portfolios. The administrator at the smaller institution must be much more of a generalist than his or her counterpart at a larger institution. Consequently it is essential that the administrator have the resources necessary to fulfill his or her responsibilities, including institutional policies with respect to sponsored programs.

Faculty Salaries and Release Time

One of the issues raised most often by administrators at smaller institutions concerns faculty salaries and release time. At most smaller institutions, faculty members carry full teaching loads and the addition of a sponsored program does not always mean that the teaching load is relieved. Consequently there are frequent issues surrounding faculty compensation and whether the faculty member's base salary can be increased to allow for the increased workload. Caution should be used in this area. It is important that the post-award administrator understand the federal costing regulation requirements. OMB Circular A-21, J.10 addresses institutional base salary and provides certain exceptions that can be used by the smaller institution. For example, with sponsoring agency approval, compensation above the base salary is allowed.

¶3305.19 Risk Areas and Critical Success Factors

The annual audit plans of the major sponsors of college and university sponsored programs provide a good view of the risk areas that need special attention from the post-award administrator. Audit findings and settlements also provide the administrator a bird's-eye view of areas that should be of concern. Finally the A-133 Compliance Supplement gives insight into areas of audit interest. In recent years, areas of risk centered on payroll and effort certification, allowable costs, cost transfers, program income, and subrecipient monitoring. (All of which are discussed above.)

Sponsored research administrators often find themselves having to make decisions based on interpretations of regulations that are not always definitive. Many grey areas exist where judgment calls need to be made. It is for this reason that heavy reliance is placed on policy and training/education programs.

Steps to Mitigate Institutional Risks

What steps might the managers of post-award administrative functions take to lessen institutional risks? Having clear written policies and procedures that are not only in place but enforced is key. Periodic monitoring of identified key risk areas is essential. For example, it may be wise to look at administrative salaries that are being charged to awards and ask

- ◆ Are they appropriate to the type of award?
- ◆ Are effort certifications being made timely by all who are required to complete them?
- ◆ What about cost transfers — is one department/unit consistently requesting transfers more than others are?

Internal Audits. Internal audits also can be a critical success factor. If the institution has a program of regular department or unit audits, the post-award administrator may wish to request that sponsored programs administrative procedures become a component of such an internal audit. In addition if there are particular areas of concern, a management review conducted by the internal audit department can determine whether such concerns should be further investigated or are invalid. (For additional information on internal audits, see Chapter 3100.)

Self-Assessments

Post-award administrators may wish to undertake an institutional self-assessment. Many institutions have used the Council on Governmental Relations' document, *Managing Externally Funded Research Programs: A Guide to Effective Management Practices*, to conduct such a self-assessment.⁸ The document sets forth certain principles that are considered keys to compliance. Each principle is then subdivided into practices, defined as measurable conditions that highlight critical components in carrying out each principle. Indicators are given for each practice that provide a suggested measure to use against an institution's policies and procedures to ascertain whether those policies and procedures are sufficient to assure compliance with administrative requirements. (For additional information on self-assessments, see Chapter 3900.)

¶3305.20 Conclusion

As shown throughout this chapter, post-award administration covers a myriad of topics and tasks and is an integral part of an institution's stewardship activities with respect to external funds. The challenges posed by sponsor requirements and resultant institutional policies are many and provide post-award administrators an endless variety of issues and circumstances to address. Certainly boredom is never an issue for the post-award administrator!

⁸Council on Governmental Relations, *Managing Externally Funded Research Programs: A Guide to Effective Management Practices*. See www.cogr.edu.